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**UNITED STATES**



**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**



**FORM 10-Q**



* **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2019**

**or**

* **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission File Number: 001-35462**



**Worldpay, Inc.**

(Exact name of registrant as specified in its charter)



**Delaware**

**26-4532998**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**8500 Governor’s Hill Drive**

**Symmes Township, OH 45249**

(Address of principal executive offices)

Registrant’s telephone number, including area code:

**(513) 900-5250**



Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer”, “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer o

Non-accelerated filer o

Smaller reporting company o

Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ☒ As of March 31, 2019, there were 311,218,093 shares of the registrant’s Class A common stock outstanding.



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**WORLDPAY, INC.**

**FORM 10-Q**

**For the Quarterly Period Ended March 31, 2019**

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**NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q, including the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors,” contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, our objectives for future operations, and any statements of a general economic or industry specific nature, are forward-looking statements. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “continue,” “could,” “should,” “can have,” “likely,” or the negative or plural of these words and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe, based on information currently available to our management, may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the “Risk Factors” section of this report. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations and assumptions reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We undertake no obligation to publicly update any forward-looking statement after the date of this report, whether as a result of new information, future developments or otherwise, or to conform these statements to actual results or revised expectations, except as may be required by law.

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**PART I — FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Worldpay, Inc.**

**CONSOLIDATED STATEMENTS OF INCOME (LOSS)**

**Unaudited**

**(In millions, except share data)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | |  |
|  |  | **2019** |  |  | **2018** |  |
| Revenue | $ | 970.0 |  | $ | 850.7 |  |
| Sales and marketing |  | 290.9 |  |  | 266.0 |  |
|  |  |  |  |  |  |  |
| Other operating costs |  | 181.0 |  |  | 155.1 |  |
| General and administrative |  | 127.4 |  |  | 250.1 |  |
|  |  |  |  |  |  |  |
| Depreciation and amortization |  | 264.4 |  |  | 207.2 |  |
| Income (loss) from operations |  | 106.3 |  |  | (27.7) |  |
|  |  |  |  |  |  |  |
| Interest expense—net |  | (72.1) |  |  | (75.2) |  |
| Non-operating income (expense) |  | 3.5 |  |  | (8.6) |  |
|  |  |  |  |  |  |  |
| Income (loss) before applicable income taxes |  | 37.7 |  |  | (111.5) |  |
| Income tax (benefit) |  | (0.4) |  |  | (13.2) |  |
|  |  |  |  |  |  |  |
| Net income (loss) |  | 38.1 |  |  | (98.3) |  |
| Less: Net (income) loss attributable to non-controlling interests |  | (1.7) |  |  | 0.7 |  |
|  |  |  |  |  |  |  |
| Net income (loss) attributable to Worldpay, Inc. | $ | 36.4 |  | $ | (97.6) |  |
| Net income (loss) per share attributable to Worldpay, Inc. Class A common stock: |  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Basic | $ | 0.12 |  | $ | (0.36) |  |
| Diluted | $ | 0.12 |  | $ | (0.36) |  |
|  |  |  |  |  |  |  |
| Shares used in computing net income (loss) per share of Class A common stock: |  |  |  |  |  |  |
| Basic |  | 302,046,241 |  |  | 274,098,480 |  |
|  |  |  |  |  |  |  |
| Diluted |  | 303,876,967 |  |  | 274,098,480 |  |
|  |  |  |  |  |  |  |

See Notes to Unaudited Consolidated Financial Statements.

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**Worldpay, Inc.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**Unaudited**

**(In millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended March 31,** | | | |  |
|  | **2019** |  |  | **2018** |  |
| Net income (loss) | $ | 38.1 |  | $ | (98.3) |
| Other comprehensive income (loss), net of tax: |  |  |  |  |  |
|  |  |  |  |  |  |
| Gain on hedging activities and foreign currency translation |  | 170.3 |  |  | 22.0 |
| Comprehensive income (loss) |  | 208.4 |  |  | (76.3) |
|  |  |  |  |  |  |
| Less: Comprehensive (income) attributable to non-controlling interests |  | (9.7) |  |  | (0.4) |
| Comprehensive income (loss) attributable to Worldpay, Inc. | $ | 198.7 |  | $ | (76.7) |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

See Notes to Unaudited Consolidated Financial Statements.

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**Worldpay, Inc.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**Unaudited**

**(In millions, except share data)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **March 31,** | |  | **December 31,** |
|  |  | **2019** |  |  | **2018** |
| **Assets** |  |  |  |  |  |
| Current assets: |  |  |  |  |  |
|  |  |  |  |  |  |
| Cash and cash equivalents | $ | 107.9 |  | $ | 196.5 |
| Accounts receivable—net |  | 1,710.2 |  |  | 1,694.8 |
|  |  |  |  |  |  |
| Settlement assets and merchant float |  | 4,964.0 |  |  | 3,132.3 |
| Prepaid expenses |  | 83.1 |  |  | 80.0 |
|  |  |  |  |  |  |
| Other |  | 538.9 |  |  | 526.1 |
| Total current assets |  | 7,404.1 |  |  | 5,629.7 |
|  |  |  |  |  |  |
| Property, equipment and software—net |  | 1,093.3 |  |  | 1,074.1 |
| Intangible assets—net |  | 2,983.5 |  |  | 3,127.8 |
|  |  |  |  |  |  |
| Goodwill |  | 14,302.0 |  |  | 14,137.9 |
| Deferred taxes |  | 1,283.7 |  |  | 789.9 |
|  |  |  |  |  |  |
| Other assets |  | 220.6 |  |  | 129.1 |
| Total assets | $ | 27,287.2 |  | $ | 24,888.5 |
|  |  |  |  |  |  |
| **Liabilities and equity** |  |  |  |  |  |
| Current liabilities: |  |  |  |  |  |
|  |  |  |  |  |  |
| Accounts payable and accrued expenses | $ | 1,147.1 |  | $ | 1,188.7 |
| Settlement obligations |  | 5,680.2 |  |  | 3,723.6 |
|  |  |  |  |  |  |
| Current portion of notes payable |  | 219.3 |  |  | 225.7 |
| Current portion of tax receivable agreement obligations |  | 71.4 |  |  | 73.1 |
|  |  |  |  |  |  |
| Deferred income |  | 29.5 |  |  | 25.1 |
| Current maturities of finance lease obligations |  | 23.2 |  |  | 22.7 |
|  |  |  |  |  |  |
| Other |  | 647.4 |  |  | 630.3 |
| Total current liabilities |  | 7,818.1 |  |  | 5,889.2 |
|  |  |  |  |  |  |
| Long-term liabilities: |  |  |  |  |  |
| Notes payable |  | 7,269.3 |  |  | 7,622.1 |
|  |  |  |  |  |  |
| Tax receivable agreement obligations |  | 890.2 |  |  | 590.8 |
| Finance lease obligations |  | 28.4 |  |  | 34.3 |
|  |  |  |  |  |  |
| Deferred taxes |  | 469.9 |  |  | 473.7 |
| Other |  | 199.4 |  |  | 74.4 |
|  |  |  |  |  |  |
| Total long-term liabilities |  | 8,857.2 |  |  | 8,795.3 |
| Total liabilities |  | 16,675.3 |  |  | 14,684.5 |
|  |  |  |  |  |  |
| Commitments and contingencies (See Note 9 - Commitments, Contingencies and Guarantees) |  |  |  |  |  |
| Equity: |  |  |  |  |  |
|  |  |  |  |  |  |
| Class A common stock, $0.00001 par value; 890,000,000 shares authorized; 311,218,093 shares outstanding at March 31, 2019 |  |  |  |  |  |
| and 300,454,590 shares outstanding at December 31, 2018 |  | — | |  | — |
| Class B common stock, no par value; 100,000,000 shares authorized; no shares issued and outstanding at March 31, 2019 and |  |  |  |  |  |
| 10,252,826 shares issued and outstanding at December 31, 2018 |  | — | |  | — |
|  |  |  |  |  |  |
| Preferred stock, $0.00001 par value; 10,000,000 shares authorized; no shares issued and outstanding |  | — | |  | — |
| Paid-in capital |  | 10,679.6 |  |  | 10,135.3 |
|  |  |  |  |  |  |
| Retained earnings |  | 629.5 |  |  | 593.1 |
| Accumulated other comprehensive (loss) income |  | (568.9) |  |  | (731.2) |
|  |  |  |  |  |  |
| Treasury stock, at cost; 3,573,308 shares at March 31, 2019 and 3,574,553 shares at December 31, 2018 |  | (138.7) |  |  | (142.8) |
| Total Worldpay, Inc. equity |  | 10,601.5 |  |  | 9,854.4 |
|  |  |  |  |  |  |
| Non-controlling interests |  | 10.4 |  |  | 349.6 |
| Total equity |  | 10,611.9 |  |  | 10,204.0 |
|  |  |  |  |  |  |
| Total liabilities and equity | $ | 27,287.2 |  | $ | 24,888.5 |
|  |  |  |  |  |  |

See Notes to Unaudited Consolidated Financial Statements.

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**Worldpay, Inc.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Unaudited**

**(In millions)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended March 31,** | | | |  |  |
|  | **2019** |  |  | **2018** |  |  |
| Operating Activities: |  |  |  |  |  |  |
| Net income (loss) | $ | 38.1 |  | $ | (98.3) |  |
|  |  |  |  |  |  |  |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |  |  |  |  |  |
| Depreciation and amortization expense |  | 264.4 |  |  | 207.2 |  |
|  |  |  |  |  |  |  |
| Amortization of customer incentives |  | 7.9 |  |  | 6.2 |  |
| Amortization and write-off of debt issuance costs |  | 2.1 |  |  | 59.9 |  |
|  |  |  |  |  |  |  |
| Gain on foreign currency forward |  | — | |  | (35.9) |  |
| Share-based compensation expense |  | 33.0 |  |  | 17.2 |  |
|  |  |  |  |  |  |  |
| Deferred tax benefit |  | (2.5) |  |  | (25.3) |  |
| Tax receivable agreements non-cash items |  | (2.0) |  |  | (3.6) |  |
|  |  |  |  |  |  |  |
| Other |  | 23.8 |  |  | 30.4 |  |
| Change in operating assets and liabilities: |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Accounts receivable |  | (7.4) |  |  | 14.0 |  |
| Net settlement assets and obligations |  | (136.6) |  |  | (12.2) |  |
|  |  |  |  |  |  |  |
| Prepaid and other assets |  | 4.9 |  |  | (30.2) |  |
| Accounts payable and accrued expenses |  | (42.0) |  |  | (17.1) |  |
|  |  |  |  |  |  |  |
| Other liabilities |  | (17.5) |  |  | (28.2) |  |
| Net cash provided by operating activities |  | 166.2 |  |  | 84.1 |  |
|  |  |  |  |  |  |  |
| Investing Activities: |  |  |  |  |  |  |
| Purchases of property and equipment |  | (83.2) |  |  | (34.1) |  |
|  |  |  |  |  |  |  |
| Acquisition of customer portfolios and related assets and other |  | (4.8) |  |  | (37.1) |  |
| Proceeds from foreign currency forward |  | — | |  | 71.5 |  |
|  |  |  |  |  |  |  |
| Cash acquired in acquisitions, net of cash used |  | — | |  | 1,405.8 |  |
| Net cash (used in) provided by investing activities |  | (88.0) |  |  | 1,406.1 |  |
|  |  |  |  |  |  |  |
| Financing Activities: |  |  |  |  |  |  |
| Proceeds from issuance of long-term debt |  | — | |  | 2,140.0 |  |
|  |  |  |  |  |  |  |
| Borrowings on revolving credit facility |  | 2,127.0 |  |  | 1,476.0 |  |
| Repayment of revolving credit facility |  | (1,931.0) |  |  | (1,701.0) |  |
|  |  |  |  |  |  |  |
| Repayment of debt and finance lease obligations |  | (582.3) |  |  | (1,662.2) |  |
| Payment of debt issuance costs |  | — | |  | (86.8) |  |
|  |  |  |  |  |  |  |
| Proceeds from issuance of Class A common stock under employee stock plans |  | 7.0 |  |  | 7.6 |  |
| Repurchase of Class A common stock (to satisfy tax withholding obligations) |  | (12.8) |  |  | (11.2) |  |
|  |  |  |  |  |  |  |
| Settlement and payments under certain tax receivable agreements |  | (28.2) |  |  | (80.9) |  |
| Distributions to non-controlling interests |  | (2.3) |  |  | (5.6) |  |
|  |  |  |  |  |  |  |
| Net cash (used in) provided by financing activities |  | (422.6) |  |  | 75.9 |  |
| Net (decrease) increase in cash and cash equivalents |  | (344.4) |  |  | 1,566.1 |  |
|  |  |  |  |  |  |  |
| Cash and cash equivalents—Beginning of period |  | 2,581.3 |  |  | 1,272.2 |  |
| Effect of exchange rate changes on cash |  | 10.1 |  |  | 31.1 |  |
|  |  |  |  |  |  |  |
| Cash and cash equivalents—End of period | $ | 2,247.0 |  | $ | 2,869.4 |  |
| Cash Payments: |  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Interest | $ | 59.3 |  | $ | 58.2 |  |
| Income taxes |  | 13.6 |  |  | 0.6 |  |
|  |  |  |  |  |  |  |
| Non-cash Items: |  |  |  |  |  |  |
| Issuance of tax receivable agreements | $ | 327.9 |  | $ | — |  |

See Notes to Unaudited Consolidated Financial Statements.

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**Worldpay, Inc.**

**CONSOLIDATED STATEMENT OF EQUITY**

**Unaudited**

**(In millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Accumulated** | |  |  |  |
|  |  |  |  |  |  |  | **Common Stock** | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Other** | |  | **Non-** |  |
|  |  | **Total** | | **Class A** | | | |  | **Class B** | | | |  | **Treasury Stock** | | | |  |  | **Paid-in** | |  | **Retained** | |  | **Comprehensive** | | **Controlling** | |  |
|  |  | **Equity** |  | **Shares** |  |  | **Amount** |  | **Shares** |  |  | **Amount** |  | **Shares** |  | **Amount** | |  |  | **Capital** |  |  | **Earnings** |  |  | **Income (Loss)** |  |  | **Interests** |  |
| Beginning Balance, | $ | 10,204.0 |  | 300.5 |  | $ | — | | 10.3 |  | $ | — | | 3.6 |  | $ | (142.8) |  | $ | 10,135.3 |  | $ | 593.1 |  | $ | (731.2) |  | $ | 349.6 |  |
| January 1, 2019 |  |  |  |  |  |  |  |  |  |
| Net income |  | 38.1 |  | — | |  | — | | — | |  | — | | — | |  | — | |  | — | |  | 36.4 |  |  | — | |  | 1.7 |  |
| Issuance of Class A |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| common stock under |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| employee benefit trust and |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| employee benefit plans, |  | 7.0 |  | 0.6 |  |  | — | | — | |  | — | | (0.2) |  |  | 16.9 |  |  | (9.9) |  |  | — | |  | — | |  | — |  |
| net of forfeitures |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Repurchase of Class A |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| common stock (including |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| to satisfy tax withheld |  | (12.8) |  | (0.2) |  |  | — | | — | |  | — | | 0.2 |  |  | (12.8) |  |  | — | |  | — | |  | — | |  | — |  |
| obligation) |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Issuance of Class A |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| common stock and |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| cancellation of Class B |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| common stock in |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| connection with Fifth |  | — | | 10.3 |  |  | — | | (10.3) |  |  | — | | — | |  | — | |  | — | |  | — | |  | — | |  | — |  |
| Third Stock sale |  |  |  |  |  |  |  |  |  |  |  |
| Issuance of tax receivable |  | 174.9 |  | — | |  | — | | — | |  | — | | — | |  | — | |  | 174.9 |  |  | — | |  | — | |  | — |  |
| agreements |  |  |  |  |  |  |  |  |  |  |  |
| Unrealized gain on |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| hedging activities and |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| foreign currency |  | 170.3 |  | — | |  | — | | — | |  | — | | — | |  | — | |  | — | |  | — | |  | 162.3 |  |  | 8.0 |  |
| translation, net of tax |  |  |  |  |  |  |  |  |  |  |  |
| Distribution to non- |  | (2.3) |  | — | |  | — | | — | |  | — | | — | |  | — | |  | — | |  | — | |  | — | |  | (2.3) |  |
| controlling interests |  |  |  |  |  |  |  |  |  |  |
| Share-based compensation |  | 32.7 |  | — | |  | — | | — | |  | — | | — | |  | — | |  | 31.9 |  |  | — | |  | — | |  | 0.8 |  |
| Reallocation of non- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| controlling interests of |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Worldpay Holding due to |  | — |  | — |  |  | — |  | — |  |  | — |  | — |  |  | — |  |  | 347.4 |  |  | — |  |  | — |  |  | (347.4) |  |
| change in ownership |  |  |  |  |  |  |  |  |  |  |
| **Ending Balance, March** | $ | 10,611.9 |  | 311.2 |  | $ | — | | — | | $ | — | | 3.6 |  | $ | (138.7) |  | $ | 10,679.6 |  | $ | 629.5 |  | $ | (568.9) |  | $ | 10.4 |  |
| **31, 2019** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

See Notes to Unaudited Consolidated Financial Statements.

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**Worldpay, Inc.**

**CONSOLIDATED STATEMENT OF EQUITY**

**Unaudited**

**(In millions)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Accumulated** | |  |  |  |
|  |  |  |  |  |  |  | **Common Stock** | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | **Other** | |  | **Non-** |  |
|  |  | **Total** | | **Class A** | | | |  | **Class B** | | | |  | **Treasury Stock** | | | |  |  | **Paid-in** | |  | **Retained** | |  | **Comprehensive** | | **Controlling** | |  |
|  |  | **Equity** |  | **Shares** |  |  | **Amount** |  | **Shares** |  |  | **Amount** |  | **Shares** |  | **Amount** | |  |  | **Capital** |  |  | **Earnings** |  |  | **Income (Loss)** |  |  | **Interests** |  |
| Beginning Balance, | $ | 600.6 |  | 162.6 |  | $ | — | | 15.3 |  | $ | — | | 2.9 |  | $ | (83.8) |  | $ | 55.4 |  | $ | 558.0 |  | $ | 2.9 |  | $ | 68.1 |  |
| January 1, 2018 |  |  |  |  |  |  |  |  |  |
| Cumulative effect of |  | 22.3 |  | — | |  | — | | — | |  | — | | — | |  | — | |  | — | |  | 22.3 |  |  | — | |  | — |  |
| accounting change |  |  |  |  |  |  |  |  |  |  |  |
| Net loss |  | (98.3) |  | — | |  | — | | — | |  | — | | — | |  | — | |  | — | |  | (97.6) |  |  | — | |  | (0.7) |  |
| Issuance of Class A |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| common stock for |  | 10,429.4 |  | 134.4 |  |  | — | | — | |  | — | | — | |  | — | |  | 10,429.4 |  |  | — | |  | — | |  | — |  |
| acquisition |  |  |  |  |  |  |  |  |  |  |  |  |
| Issuance of Class A |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| common stock under |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| employee stock plans, |  | 7.6 |  | 0.5 |  |  | — | | — | |  | — | | — | |  | — | |  | 7.6 |  |  | — | |  | — | |  | — |  |
| net of forfeitures |  |  |  |  |  |  |  |  |  |  |  |  |
| Repurchase of Class A |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| common stock including |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (including to satisfy tax |  | (11.2) |  | (0.1) |  |  | — | | — | |  | — | | 0.1 |  |  | (11.2) |  |  | — | |  | — | |  | — | |  | — |  |
| withholding obligation) |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Settlement of certain tax |  | 8.2 |  | — | |  | — | | — | |  | — | | — | |  | — | |  | 8.2 |  |  | — | |  | — | |  | — |  |
| receivable agreements |  |  |  |  |  |  |  |  |  |  |  |
| Unrealized gain on |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| hedging activities, and |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| foreign currency |  | 22.0 |  | — | |  | — | | — | |  | — | | — | |  | — | |  | — | |  | — | |  | 20.9 |  |  | 1.1 |  |
| translation, net of tax |  |  |  |  |  |  |  |  |  |  |  |
| Distribution to non- |  | (5.6) |  | — | |  | — | | — | |  | — | | — | |  | — | |  | — | |  | — | |  | — | |  | (5.6) |  |
| controlling interests |  |  |  |  |  |  |  |  |  |  |
| Share-based |  | 17.2 |  | — | |  | — | | — | |  | — | | — | |  | — | |  | 16.3 |  |  | — | |  | — | |  | 0.9 |  |
| compensation |  |  |  |  |  |  |  |  |  |  |  |
| Reallocation of non- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| controlling interests of |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Worldpay Holding due |  | — |  | — |  |  | — |  | — |  |  | — |  | — |  |  | — |  |  | (486.1) |  |  | — |  |  | — |  |  | 486.1 |  |
| to change in ownership |  |  |  |  |  |  |  |  |  |  |
| **Ending Balance,** | $ | 10,992.2 |  | 297.4 |  | $ | — | | 15.3 |  | $ | — | | 3.0 |  | $ | (95.0) |  | $ | 10,030.8 |  | $ | 482.7 |  | $ | 23.8 |  | $ | 549.9 |  |
| **March 31, 2018** |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

See Notes to Unaudited Consolidated Financial Statements.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Description of Business***

Worldpay, Inc., a Delaware corporation, is a holding company that conducts its operations through its majority-owned subsidiary, Worldpay Holding, LLC (“Worldpay Holding”). Worldpay, Inc. and Worldpay Holding are referred to collectively as the “Company,” “Worldpay,” “we,” “us” or “our,” unless the context requires otherwise.

On January 16, 2018, the Company completed the acquisition of all of the outstanding shares of Worldpay Group Limited, formerly Worldpay Group plc, a public limited company (“Legacy Worldpay”). Following the acquisition, the Vantiv, Inc. (“Legacy Vantiv”) name was changed to Worldpay, Inc. by amending our Second Amended and Restated Certificate of Incorporation. The effective date of the name change was January 16, 2018.

Worldpay is a leader in global payments providing a broad range of technology-led solutions to its clients to allow them to accept payments of almost any type, across multiple payment channels nearly anywhere in the world. The Company serves a diverse set of merchants including mobile, online and in-store, offering over 300 payment methods in 126 transaction currencies across 146 countries, while supporting various clients including large enterprises, corporates, small and medium sized businesses and eCommerce businesses. The Company operates in three reportable segments: Technology Solutions, Merchant Solutions and Issuer Solutions. For more information about the Company’s segments, refer to Note 13 - Segment Information. The Company markets its services through diverse distribution channels, including multiple referral partners.

***Merger with Fidelity National Information Services (“FIS”)***

On March 18, 2019, Worldpay and Fidelity National Information Services, Inc. (“FIS”) issued a joint press release announcing that Worldpay, FIS and Wrangler Merger Sub, Inc., a wholly-owned subsidiary of FIS (“Merger Sub”), entered into an agreement and plan of merger, dated March 17, 2019 (the “Merger Agreement”), pursuant to which, on the terms and subject to the conditions set forth therein, Merger Sub will merge with and into Worldpay (the “Merger”), with Worldpay being the surviving corporation in the Merger and continuing as a wholly-owned subsidiary of FIS.

At the effective time of the Merger (“Effective Time”), which is expected to occur in the third quarter of 2019, each share of the Class A common stock of Worldpay, par value $0.00001 per share (“Worldpay Class A Common Stock”), issued and outstanding immediately prior to the Effective Time, except for certain shares of Worldpay Class A Common Stock identified in the Merger Agreement, will be converted into the right to receive 0.9287 shares (the “Exchange Ratio”) of common stock, par value $0.01 per share, of FIS (“FIS Common Stock” and, such shares, the “Share Consideration”) and $11.00 in cash (the “Cash Consideration” and, together with the Share Consideration, the “Merger Consideration”). The shares of FIS Common Stock to be issued in the Merger will be listed on The New York Stock Exchange (“NYSE”). Following the consummation of the Merger, FIS shareholders will own approximately 53 percent and Worldpay shareholders will own approximately 47 percent of the combined company. The Merger Consideration (as of the date the Merger Agreement was executed) valued Worldpay at an enterprise value of approximately $43 billion, including the assumption of Worldpay debt, which FIS expects to refinance.

Completion of the Merger is subject to the satisfaction or waiver of customary closing conditions for both parties, including receipt of required regulatory and shareholder approvals and other customary closing conditions.

In connection with the proposed Merger, on April 12, 2019, FIS filed a preliminary registration statement on Form S-4 with the SEC that became available on the SEC’s Edgar system on April 15, 2019.

***Basis of Presentation and Consolidation***

The accompanying consolidated financial statements include those of Worldpay, Inc. and all subsidiaries thereof, including its majority-owned subsidiary, Worldpay Holding, LLC. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All intercompany balances and transactions have been eliminated.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

As of March 31, 2019, Worldpay, Inc. owned 100% interest in Worldpay Holding (see Note 8 - Controlling and Non-Controlling Interests for changes in non-controlling interests) as a result of Fifth Third Bank’s (“Fifth Third”) sale of its remaining interest in Worldpay Holding discussed below.

***Fifth Third Stock Sale***

In March 2019, Fifth Third exchanged its remaining 10.3 million Class B units in Worldpay Holding for 10.3 million shares of the Company’s Class A common stock and subsequently sold those 10.3 million shares of Worldpay, Inc. Class A common stock pursuant to Rule 144 promulgated under the Securities Act of 1933 as amended (“Fifth Third Stock Sale”). The Company did not receive any proceeds from the sale.

As a result of the March 2019 Fifth Third exchange of units of Worldpay Holding, the Company recorded an estimated additional liability under the Fifth Third Tax Receivable Agreement (“TRA”) of $327.9 million and an estimated additional deferred tax asset of $502.8 million associated with the increase in the tax basis. The Company recorded an estimated corresponding increase to paid-in-capital of $174.9 million for the difference in the TRA liability and the related deferred tax asset.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

***Expenses***

Set forth below is a brief description of the components of the Company’s expenses:

* *Sales and marketing* expense primarily consists of compensation, commissions and benefits paid to sales personnel, sales management and othersales and marketing personnel, amortization of capitalized commission fees, payments made to multiple referral partners, and advertising and promotional costs.
* *Other operating costs* primarily consist of compensation and benefits paid to operational and IT personnel, costs associated with operating theCompany’s technology platform and data centers, information technology costs for processing transactions, product development costs, software fees, maintenance costs, occupancy costs and consulting costs.
* *General and administrative* expenses primarily consist of compensation and benefits paid to executive management and administrativeemployees, including finance, human resources, product, legal and risk management, share-based compensation costs, office equipment, occupancy costs and consulting costs.
* *Non-operating income (expense)* primarily consists of other income and expense items outside of the Company’s operating activities.

***Share-Based Compensation***

The Company expenses employee share-based payments under ASC 718, *Compensation—Stock Compensation*, which requires compensation cost for the grant-date fair value of share-based payments to be recognized over the requisite service period. The Company estimates the grant date fair value of the share-based awards issued in the form of options using the Black-Scholes option pricing model. The fair value of shares issued as restricted stock, performance awards and under the Employee Stock Purchase Plan (“ESPP”) is measured based on the market price of the Company’s stock on the grant date.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

For the three months ended March 31, 2019 and 2018 total share-based compensation expense was $33.0 million and $17.2 million, respectively.

***Earnings per Share***

Basic earnings per share is computed by dividing net income attributable to Worldpay, Inc. by the weighted average shares outstanding during the period. Diluted earnings per share is computed by dividing net income attributable to Worldpay, Inc., adjusted as necessary for the impact of potentially dilutive securities, by the weighted-average shares outstanding during the period and the impact of securities that would have a dilutive effect on earnings per share. See Note 11 - Net Income Per Share for further discussion.

***Dividend Restrictions***

The Company does not intend to pay cash dividends on its Class A common stock in the foreseeable future. Worldpay, Inc. is a holding company that does not conduct any business operations of its own. As a result, Worldpay, Inc.’s ability to pay cash dividends on its common stock, if any, is dependent upon cash dividends and distributions and other transfers from Worldpay Holding. The amounts available to Worldpay, Inc. to pay cash dividends are subject to the covenants and distribution restrictions in its subsidiaries’ loan agreements. As a result of the restrictions on distributions from Worldpay Holding and its subsidiaries, essentially all of the Company’s consolidated net assets are held at the subsidiary level and are restricted as of March 31, 2019.

***Income Taxes***

Income taxes are computed in accordance with ASC 740, *Income Taxes*, and reflect the net tax effects of temporary differences between the financial reporting carrying amounts of assets and liabilities and the corresponding income tax amounts. The Company has deferred tax assets and liabilities and maintains valuation allowances where it is more likely than not that all or a portion of deferred tax assets will not be realized. To the extent the Company determines that it will not realize the benefit of some or all of its deferred tax assets, such deferred tax assets will be adjusted through the Company’s provision for income taxes in the period in which this determination is made. As of March 31, 2019 and December 31, 2018, the Company recorded valuation allowances against deferred tax assets of $12.6 million related to net operating losses.

The Company’s consolidated interim effective tax rate is based upon expected annual income before applicable taxes, statutory tax rates and tax laws in the various jurisdictions in which the Company operates. Significant or unusual items, including adjustments to accruals for tax uncertainties, are recognized in the quarter in which the related event occurs.

The Company’s global effective tax rates were (1.1)% and 11.8% respectively, for the three months ended March 31, 2019 and 2018 and include the impact of the excess tax benefit relating to share-based compensation being recorded in income tax expense. The global effective tax rate for each period reflects the impact of the Company’s non-controlling interests not being taxed at the statutory U.S. corporate tax rates.

***Cash and Cash Equivalents***

Cash on hand and investments with original maturities of three months or less (that are readily convertible to cash) are considered to be cash

equivalents. The Company has restricted cash held in money market accounts, which approximate fair value and are a level 1 input in the fair value hierarchy.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The Company includes restricted cash in the cash and cash equivalents balance reported in the Consolidated Statements of Cash Flows. The reconciliation between cash and cash equivalents in the Consolidated Statements of Financial Position and the Consolidated Statements of Cash Flows is as follows (in millions):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **March 31,** |  |  |  | **March 31,** |
|  | **2019** |  |  |  | **2018** |
| Cash and cash equivalents on Consolidated Statements of Financial Position | $ | 107.9 |  | $ | 459.4 |
| Other restricted cash (other current assets) |  | 474.9 |  |  | 515.7 |
|  |  |  |  |  |  |
| Merchant float (in settlement assets and merchant float) |  | 1,664.2 |  |  | 1,894.3 |
| Total cash and cash equivalents per the Consolidated Statements of Cash Flows | $ | 2,247.0 |  | $ | 2,869.4 |
|  |  |  |  |  |  |

***Property, Equipment and Software—net***

Property, equipment and software consists of the Company’s facilities, furniture and equipment, software, land and leasehold improvements. Facilities, furniture and equipment and software are depreciated on a straight-line basis over their respective useful lives, which are 15 to 40 years for the Company’s facilities and related improvements, 2 to 10 years for furniture and equipment and 3 to 8 years for software. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvement which is 3 to 10 years or the term of the lease. Also included in property, equipment and software is work in progress consisting of costs associated with software developed for internal use which has not yet been placed in service. Accumulated depreciation as of March 31, 2019 and December 31, 2018 was $585.7 million and $540.9 million, respectively.

The Company capitalizes certain costs related to computer software developed for internal use and amortizes such costs on a straight-line basis over an estimated useful life of 5 to 8 years. Research and development costs incurred prior to establishing technological feasibility are charged to operations as such costs are incurred. Once technological feasibility has been established, costs are capitalized until the software is placed in service.

***Goodwill and Intangible Assets***

In accordance with ASC 350, *Intangibles—Goodwill and Other*, the Company tests goodwill for impairment for each reporting unit on an annual basis, or when events occur or circumstances indicate the fair value of a reporting unit is below its carrying value. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded to the extent that implied fair value of the goodwill within the reporting unit is less than its carrying value. The Company performed its most recent annual goodwill impairment test for all reporting units as of July 31, 2018 using market data and discounted cash flow analyses. Based on this analysis, it was determined that the fair value of all reporting units was substantially in excess of the carrying value. There have been no other events or changes in circumstances subsequent to the testing date that would indicate impairment of these reporting units as of March 31, 2019.

Intangible assets consist of acquired customer relationships, trade names, customer portfolios and related assets that are amortized over their estimated useful lives. The Company reviews finite lived intangible assets for possible impairment whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. As of March 31, 2019, there have been no such events or circumstances that would indicate potential impairment of finite lived intangible assets.

***Settlement Processing Assets and Obligations and Merchant Float***

Settlement assets and obligations and merchant float represent intermediary balances arising from the settlement process which involves the transferring of funds between card issuers, merchants and Sponsoring Members. Funds are processed under two models, a sponsorship model and a direct member model. In the United States, the Company operates under the sponsorship model and outside the United States the Company operates under the direct membership model.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Under the sponsorship model, in order for the Company to provide electronic payment processing services, Visa, MasterCard and other payment networks require sponsorship by a member clearing bank. The Company has an agreement with various banks and financial institutions, (the “Sponsoring Member”) to provide sponsorship services to the Company. Under the sponsorship agreements, the Company is registered as a Visa Third-Party Agent and a MasterCard Service Provider. The sponsorship services allow us to route transactions under the Sponsoring Members' membership to clear card transactions through MasterCard, Visa and other networks. Under this model, the standards of the payment networks restrict us from performing funds settlement and as such require that these funds be in the possession of the Sponsoring Member until the merchant is funded. Accordingly, settlement assets and obligations resulting from the submission of settlement files to the network or cash received from the network in advance of funding the network are the responsibility of the Sponsoring Member and are not recorded on the Company’s Consolidated Statements of Financial Position.

In the United States, settlement assets and obligations are recorded by the Company related to the Issuer Solutions business when funds are transferred from the Company to the Sponsoring Member for settlement prior to receiving funds from the financial institution customer or funds are received from the financial institution customer prior to transferring funds to the Sponsoring Member for settlement. These timing differences result in a settlement asset or obligation. The amounts are generally collected or paid the following business day.

Settlement assets and obligations are also recorded in the United States as result of intermediary balances due to/from the Sponsoring Member. The Company receives funds from certain networks which are owed to the Sponsoring Member for settlement. In other cases the Company transfers funds to the Sponsoring Member for settlement in advance of receiving funds from the network. These timing differences result in a settlement asset or obligation. The amounts are generally collected or paid the following business day. Additionally, U.S. settlement assets and obligations arise related to interchange expenses, merchant reserves and exception items.

Under the direct membership model, the Company is a direct member in Visa, MasterCard and other various payment networks as third party sponsorship to the networks is not required. This results in the Company performing settlement between the networks and the merchant and requiring adherence to the standards of the payment networks in which the Company is a direct member. Settlement assets and obligations result when the Company submits the merchant file to the network or when funds are received by the Company in advance of paying the funds to a different entity or merchant. The amounts are generally collected or paid the following business day.

Merchant float represents surplus cash balances the Company holds on behalf of its merchant customers when the incoming amount from the card networks precedes when the funding to customers falls due. Such funds are held in a fiduciary capacity, and are not available for the Company to use to fund its cash requirements.

***Derivatives***

The Company accounts for derivatives in accordance with ASC 815, *Derivatives and Hedging*. This guidance establishes accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the Consolidated Statements of Financial Position at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item will be recognized in earnings. If the derivative is designated as a cash flow hedge, the change in the fair value of the derivative will be recorded in accumulated other comprehensive income (loss) (“AOCI”) and will be recognized in the statement of income when the hedged item affects earnings. Additionally, the Company’s net investment hedges, which act as economic hedges of the Company’s net investments in its foreign subsidiaries, are recorded in AOCI. The Company does not enter into derivative financial instruments for speculative purposes. See Note 7 - Derivatives and Hedging Activities for further discussion.

***Visa Europe and Contingent Value Rights***

During June 2016, Legacy Worldpay disposed of its ownership interest in Visa Europe to Visa, Inc. In connection with the disposal, the Company agreed to pay the Legacy Worldpay owners 90% of the net-of-tax proceeds from the disposal, pending the resolution of certain historical claims and the finalization of the proceeds from disposal. The proceeds from the disposal (primarily restricted cash) and the related liability to former owners are recorded in other current assets and other current liabilities, respectively, in the Company’s Consolidated Statements of Financial Position.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

***Foreign Currencies***

For operations outside the United States that prepare financial statements in currencies other than the U.S. dollar, results of operations and cash flows are translated at average exchange rates during the period and assets and liabilities are translated at spot exchange rates at the end of the period. Foreign currency translation adjustments are included as a separate component of accumulated other comprehensive income (loss) in total equity. The effects of changes in exchange rates between the designated functional currency and the currency in which a transaction is denominated are recorded as foreign currency transaction gains (losses) in the Consolidated Statements of Income and Comprehensive Income and were immaterial for the three months ended March 31, 2019 and 2018.

***Recent Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, *Leases (Topic 842)*. This ASU amends the existing guidance by requiring the recognition of all leases, including operating leases, on the balance sheet as right of use asset and lease liability and disclosing key information about the lease arrangements. The Company adopted this ASU on January 1, 2019 using the modified retrospective approach with no cumulative effect on retained earnings. See Note 3 - Leases for more information.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815)*: *Targeted Improvements to Accounting for Hedging Activities*, which amends and simplifies existing guidance to better align an entity’s risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The Company adopted this ASU as of January 1, 2019 with an immaterial impact on the Company’s Consolidated Financial Statements. See Note 7 - Derivatives and Hedging Activities for more information.

In August 2018, the SEC issued a final rule amending certain of its disclosure requirements. This rule eliminates or simplifies redundant or outdated disclosure requirements. The rule also requires companies to present changes in shareholders’ equity on a quarterly basis for both current and prior year periods.

In August 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic* *350-40), Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU aligns therequirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This ASU is effective for the annual periods beginning after December 15, 2019 and interim periods within those annual periods, with early adoption permitted. The Company is currently evaluating the impact of this ASU on its Consolidated Financial Statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial* *Instruments*. This ASU presents new methodology for calculating credit losses on financial instruments (e.g. trade receivables) based on expected creditlosses and expands the types of information companies must use when calculating expected losses. This ASU is effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods, with early adoption permitted. The Company is currently evaluating the impact of this ASU on its Consolidated Financial Statements.

**2. REVENUE RECOGNITION**

In May 2014, the FASB issued ASU 2014-09, *Revenue From Contracts With Customers (Topic 606)* (“ASC 606”). ASC 606 supersedes the revenue recognition requirements in Accounting Standard Codification (“ASC”) 605, *Revenue Recognition* (“ASC 605”). The new standard provides a five-step analysis of transactions to determine when and how revenue is recognized, based upon the core principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also requires additional disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The Company adopted ASC 606 on January 1, 2018, using the modified retrospective method. The new standard requires the Company to disclose the accounting policies in effect prior to January 1, 2018, as well as the policies it has applied starting January 1, 2018. Revenue is measured based on consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a service or goods to a customer.

*Periods commencing January 1, 2018*

The Company has contractual agreements with its customers that set forth the general terms and conditions of the relationship including line item pricing, payment terms and contract duration. Revenue is recognized when the performance obligation under the terms of the Company’s contract with its customer is satisfied. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. The Company generates revenue primarily by processing electronic payment transactions. Set forth below is a description of the Company’s revenue by segment.

***Technology Solutions***

Technology Solutions provides merchant acquiring, payment processing and related services to a diverse set of merchants that primarily accept payments through eCommerce and integrated payment solutions.

***Merchant Solutions***

Merchant Solutions provides merchant acquiring, payment processing and related services to a diverse set of merchants that primarily accept payments through an omni-channel solution including terminal based.

***Issuer Solutions***

Issuer Solutions provides card issuer processing, payment network processing, fraud protection and card production to a diverse set of financial institutions, including regional banks, community banks, credit unions and regional personal identification number (“PIN”) networks.

***Performance Obligations***

At contract inception, the Company assesses the goods and services promised in its contracts with customers and identifies performance obligations for each promise to transfer to the customer a good or service that is distinct. The Company’s performance obligation relating to its payment processing services revenue is to provide continuous access to the Company’s system to process as much as its customers require. Since the number or volume of transactions to be processed is not determinable at contract inception, the Company’s payment processing services consist of variable consideration under a stand ready service of distinct days of service that are substantially the same with the same pattern of transfer to the customer. As such, the stand-ready obligation is accounted for as a single-series performance obligation whereby the variability of the transaction value is satisfied daily as the performance obligation is performed.

The Company’s payment processing services include all aspects of payment processing, including authorization and settlement, customer service, chargeback and retrieval processing, reporting for electronic payment transactions and network fee and interchange management.

The Company’s products and services consists of, but are not limited to, foreign currency management, payment card industry regulatory compliance services, payment security (e.g. tokenization, encryption and fraud services), chargeback resolution, billing statement production (e.g. reporting and analytics), card production, and card-processing equipment sales. An evaluation is performed to determine whether or not these are separate performance obligations from payment processing. Once the performance obligations are identified, the total estimated transaction value is allocated based on a stand-alone selling price. Revenue from products and services is recognized at a point in time or over time depending on the products or services. Chargeback resolution services, card production and equipment sales are generally recognized at a point in time while most other performance obligations are billed and recognized over the contract period as the services are performed.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

As a result of adopting ASC 606, the Company records certain fees paid to third parties, including network fees and other costs, as a reduction of revenue. The adoption of ASC 606 did not have a material impact on any other line items of the Company’s Consolidated Statements of Income, Statements of Comprehensive (Loss) Income, Statements of Financial Position, Statements of Equity and Statements of Cash Flows.

***Disaggregation of Revenue***

In the following table, revenue is disaggregated by source of revenue (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  | **Three Months Ended March 31, 2019** | | | | | | |  |  |  |
|  |  |  | **Technology** | | | |  | **Merchant** | | |  | **Issuer Solutions** | | |  | **Total** |  |
|  |  |  | **Solutions** | | | |  | **Solutions** | | |  |  |  |
|  | **Major Products and Services (1)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Processing services | $ | 284.0 |  |  |  | $ | 361.3 |  |  | $ | 46.2 |  |  | $ | 691.5 |  |
|  | Products and services |  | 143.3 |  |  |  |  | 98.1 |  |  |  | 37.1 |  |  |  | 278.5 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Total** | $ | 427.3 |  |  |  | $ | 459.4 |  |  | $ | 83.3 |  |  | $ | 970.0 |  |
|  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |
|  |  |  |  |  |  |  |  | **Three Months Ended March 31, 2018** | | | | | | |  |  |  |
|  |  |  | **Technology** | | | |  | **Merchant** | | | **Issuer Solutions** | | | |  | **Total** |  |
|  |  |  | **Solutions** | | | |  | **Solutions** | | |  |  |
|  | **Major Products and Services (1)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Processing services | $ | 230.1 |  |  |  | $ | 340.0 |  |  | $ | 46.8 |  |  | $ | 616.9 |  |
|  | Products and services |  | 106.3 |  |  |  |  | 92.2 |  |  |  | 35.3 |  |  |  | 233.8 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Total** | $ | 336.4 |  |  |  | $ | 432.2 |  |  | $ | 82.1 |  |  | $ | 850.7 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. Revenue breakdown is based on management’s view and certain products and services revenue may be based on the number or volume of transactions.

***Processing Services***

Processing services revenue is primarily derived from processing credit and debit card transactions comprised of fees charged to businesses for payment processing services. The fees charged consist of a percentage of the transaction value, a specified fee per transaction, a fixed fee, or a combination.

***Products and Services***

Products and services revenue is primarily derived from ancillary services such as treasury management and foreign exchange, regulatory compliance, chargebacks and fraud services for which the fees charged may or may not be related to the volume or number of transactions.

***Costs to Obtain and Fulfill a Contract***

ASC 606 requires capitalizing costs of obtaining a contract when those costs are incremental and expected to be recovered. Since incremental commission fees paid to sales teams as a result of obtaining contracts are recoverable, the Company recorded a $28.8 million ($22.3 million net of deferred taxes) cumulative catch-up capitalized asset on January 1, 2018. As of March 31, 2019 and December 31, 2018, the amount capitalized as contract costs is $42.4 million and $39.3 million, respectively, which is included in other non-current assets.

In order to determine the amortization period for sales commission contract costs, the Company applied the portfolio approach for “like-kind contracts” to which sales compensation earnings can be applied and allocated incentive payments to each portfolio accordingly. The Company evaluated each individual portfolio to determine the proper length of time over which the capitalized incentive should be amortized by analyzing customer attrition rates using historical data and other metrics.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The Company determined that straight-line amortization would best correspond to the transfer of services to customers since services are transferred equally over time and have limited predictable volatility. The amortization periods range from 3 to 10 years and are based on the expected life of a customer. During the three months ended March 31, 2019 and 2018, the amount of amortization was $2.6 million and $2.5 million, respectively, which is recorded in sales and marketing expense. There was no impairment loss in relation to the costs capitalized.

The Company recognizes incremental sales commission costs of obtaining a contract as expense when the amortization period for those assets is one year or less per the practical expedient in ASC 606. These costs are included in sales and marketing expense.

Customer incentives represent signing bonuses paid to customers. Customer incentives are paid in connection with the acquisition or renewal of customer contracts, and are therefore deferred and amortized using the straight-line method based on the expected life of the customer. As of March 31, 2019 and December 31, 2018, the Company had $75.8 million and $71.5 million, respectively, of customer incentives included in other assets in the Company’s Consolidated Statements of Financial Position. For the three months ended March 31, 2019, and 2018, the Company had $7.9 million and $6.2 million, respectively, of amortization expense related to these costs recorded as contra-revenue in the Company’s Consolidated Statements of Income.

The Company capitalizes conversion costs associated with enabling customers to receive its processing services. As of March 31, 2019 and December 31, 2018, the Company had $56.5 million and $51.7 million, respectively, of capitalized conversion costs included in Intangible assets - net in the Company’s Consolidated Statements of Financial Position. For the three months ended March 31, 2019, and 2018, the Company had, $3.2 million and $0.9 million, respectively, of amortization expense related to these costs, which is recorded in depreciation and amortization expense in the Company’s Consolidated Statements of Income. These costs are amortized over the average life of the customer.

***Contract Balances***

Accounts Receivable-net

Accounts receivable primarily represent processing revenues earned but not collected. For a majority of its customers, the Company has the authority to debit the client’s bank accounts; as such, collectibility is reasonably assured. Aside from debiting a client’s bank account, the Company collects a majority of its revenue via net settlement with the remaining portion collected via billing the customer. The Company records a reserve for doubtful accounts when it is probable that the accounts receivable will not be collected. The Company reviews historical loss experience and the financial position of its customers when estimating the allowance. As of March 31, 2019 and December 31, 2018, the allowance for doubtful accounts was not material to the Company’s Consolidated Statements of Financial Position.

Contract Liabilities

Contract liabilities, which relate to advance consideration received from customers (deferred income) before transfer of control occurs and therefore revenue is recognized, is not material to the Company’s Consolidated Financial Statements.

***Remaining Performance Obligations***

ASC 606 requires disclosure of the aggregate amount of the transaction price allocated to unsatisfied performance obligations; however, as permitted by ASC 606, the Company has elected to exclude from this disclosure any contracts with an original duration of one year or less and any variable consideration that meets specified criteria. As discussed above, the Company’s core performance obligation consists of variable consideration under a stand-ready series of distinct days of service and revenue from the Company’s products and service arrangements are generally billed and recognized as the services are performed. The aggregate fixed consideration portion of customer contracts with an initial contract duration greater than one year is not material.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**3. LEASES**

The Company adopted ASU 2016-02, *Leases*, on January 1, 2019. Accounting Standards Codification Topic 842, Leases (“ASC 842”) amends previous lease guidance under ASC 840 by requiring the recognition of all leases, including operating leases, on the balance sheet as right of use asset (“ROU”) and the present value (“PV”) lease liability, as well as disclosing key information about the lease arrangements. The Company elected to adopt ASC 842 using the modified retrospective transition approach using the effective date method, which results in the recognition of lease assets and liabilities as of the beginning of the period of adoption without requiring restatement of the prior period financials presented, so comparable periods presented in the Consolidated Financial Statements prior to January 1, 2019 continue to be presented under ASC 840.

At adoption, the Company elected the package of practical expedients in the guidance which consists of not reassessing whether any expired or existing contracts contain leases, not reassessing the lease classification for any expired or existing leases and not reassessing initial direct costs for any existing leases. The Company, however, did not elect the separate hindsight practical expedient.

Since most of the Company’s operating lease contracts do not provide an implicit rate, the Company made a policy election to use an incremental borrowing rate applicable to the geographic location of the leased asset and based on the remaining lease term in determining the present value of future minimum lease payments for purposes of recognizing a lease liability and corresponding ROU asset. Additionally, the Company made an accounting policy election to not recognize an ROU asset and lease liability for short-term leases with an initial term of 12 months or less.

The Company has various lease agreements for office space and land which are classified as operating leases and for equipment which is classified as finance leases. The operating lease agreements typically contain lease and non-lease components, which are accounted for separately since the Company is able to easily identify the applicable lease components. Lease terms may include options to extend or terminate the lease, which are factored into the recognition of ROU assets and lease liabilities when it is reasonably certain that the Company will exercise that option. The Company does not have any lease agreements whose payments are variable in nature (i.e. leases based on an index). Lease costs for operating leases, including short-term leases, are recognized over the lease term on a straight-line basis.

On January 1, 2019, the Company recorded both operating lease ROU assets of $93.2 million and lease liabilities of $139.2 million. The difference between the asset and liability primarily relates to previously recorded deferred rent, unfavorable acquired lease obligations and lease exit costs. The adoption of ASC 842 had an immaterial impact on the Company’s Consolidated Statements of Income (Loss) and Consolidated Statements of Cash Flows for the three months ended March 31, 2019.

The table below presents the Company’s leased assets and related lease liabilities (in millions):

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Leases** | | | **Classification** | |  | **March 31, 2019** | |
|  |  |  |  |  |  |  |  |
| **Assets** | | |  |  |  |  |  |
|  | Operating lease assets | | Other long-term assets | | $ | 92.1 |  |
|  |  |  |  |  |  |  |  |
|  | Finance lease assets | | Property, equipment and software-net | |  | 32.9 |  |
|  | Finance lease assets | | Intangible assets | |  | 9.8 |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **Liabilities** | | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Current: | | |  |  |  |  |  |
|  | Operating | | Other current liabilities | | $ | 19.9 |  |
|  |  |  |  |  |  |  |  |
|  | Finance | | Current maturities of finance lease obligations | |  | 23.2 |  |
| Non-current: | | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | Operating | | Other non-current liabilities | |  | 117.0 |  |
|  | Finance | | Finance lease obligations | |  | 28.4 |  |
|  |  |  | 19 |  |  |  |  |
|  |  |  |  |  |  |  |  |

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The table below presents the costs associated with the leased assets (in millions):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Three Months Ended** |
| **Leases** | | **Classification** | | | **March 31, 2019** |
|  |  |  |  |  |  |
| Operating lease cost: | | General and administrative and Other operating costs | | |  |
| Short-term | | $ | | | 0.8 |
|  |  |  |  |  |  |
| Long-term | |  |  |  | 9.3 |
| Finance lease cost: | |  |  |  |  |
|  |  |  |  |  |  |
| Amortization of leased assets | | Depreciation and amortization | | | 3.6 |
| Interest on lease liabilities | | Interest expense-net | | | 0.6 |
|  |  |  |  |  |  |
| Total lease cost | | $ | | | 14.3 |
|  |  |  |  |  |  |

The future minimum lease payments required under all leases and the present value of net minimum lease payments as of March 31, 2019 are as follows (in millions):

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Maturity of Lease Liabilities** | |  | **Operating** | |  | **Finance** |
|  |  |  |  |  |  |  |
| Nine months ended December 31, 2019 | | $ | 18.3 |  | $ | 20.0 |
| 2020 |  |  | 23.2 |  |  | 17.3 |
|  |  |  |  |  |  |  |
| 2021 |  |  | 19.7 |  |  | 12.7 |
| 2022 |  |  | 17.4 |  |  | 5.3 |
|  |  |  |  |  |  |  |
| 2023 |  |  | 15.0 |  |  | — |
| Thereafter | |  | 69.8 |  |  | — |
|  |  |  |  |  |  |  |
| Total | | $ | 163.4 |  | $ | 55.3 |
| Less: Interest | |  | 26.5 |  |  | 3.7 |
|  |  |  |  |  |  |  |
| Present value of lease liabilities | | $ | 136.9 |  | $ | 51.6 |
|  |  |  |  |  |  |  |

The future minimum lease payments required under operating leases as of December 31, 2018 are as follows (in millions):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year Ended December 31,** | | |  |  |
|  |  |  |  |  |
| 2019 | |  | $ | 27.8 |
| 2020 | |  |  | 23.2 |
|  |  |  |  |  |
| 2021 | |  |  | 21.7 |
| 2022 | |  |  | 19.0 |
|  |  |  |  |  |
| 2023 | |  |  | 15.6 |
| Thereafter | | |  | 71.2 |
|  |  |  |  |  |
| Total | | | $ | 178.5 |
|  |  |  |  |  |

The table below summarizes the weighted average remaining lease term and weighted average discount rate used by lease type:

|  |  |  |
| --- | --- | --- |
| **Lease Term and Discount Rate** | | **March 31, 2019** |
|  |  |  |
| Weighted-average remaining lease term (years): | |  |
| Operating leases | | 9.0 |
|  |  |  |
| Finance leases | | 2.6 |
| Weighted-average discount rate: | |  |
|  |  |  |
| Operating leases | | 3.9% |
| Finance leases | | 4.9% |

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The table below summarizes the impact to cash flows related to leases (in millions):

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Three Months Ended** |  |
|  |  | **March 31, 2019** |  |
| Cash paid for amounts included in the measurement of lease liabilities: |  |  |  |
|  |  |  |
|  |  |  |  |
| Operating cash flows used for operating leases | $ | 6.0 |  |
| Operating cash flows used for finance leases |  | 0.5 |  |
|  |  |  |  |
| Financing cash flows used for finance leases |  | 6.5 |  |
| Leased assets obtained in exchange for new finance lease liabilities |  | — |  |
|  |  |  |  |
| Leased assets obtained in exchange for new operating lease liabilities |  | 0.7 |  |
|  |  |  |  |

**4. BUSINESS COMBINATIONS**

***Acquisition of Legacy Worldpay***

On January 16, 2018, the Company completed the acquisition of Legacy Worldpay by acquiring 100% of the issued and outstanding shares (the “acquisition”). The approximately $11.9 billion purchase price consisted of Legacy Worldpay shareholders receiving a $1.5 billion cash payment and 133.6 million shares of the Company’s Class A common stock. The acquisition-date fair value of the shares of the Company’s Class A common stock issued was $10.4 billion and was determined based on the share price of $77.60 per share, the opening price of the Company’s Class A common stock on the New York Stock Exchange on January 16, 2018 since the acquisition closed before the market opened on January 16, 2018.

The acquisition creates a leading global payments technology company that is uniquely positioned to address clients’ needs with innovative and strategic capabilities.

The acquisition was accounted for as a business combination under ASC 805, *Business Combinations* (“ASC 805”). The purchase price was allocated to the assets acquired and the liabilities assumed based on the estimated fair value at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired was allocated to goodwill, none of which is deductible for tax purposes. Goodwill, assigned to Technology Solutions, Merchant and Issuer Solutions, consists primarily of the acquired workforce and growth opportunities, none of which qualify as an intangible asset.

|  |  |  |  |
| --- | --- | --- | --- |
| The final purchase price allocation is as follows (in millions): | |  |  |
|  |  |  |  |
| Cash acquired | | $ | 569.9 |
| Current assets (1) | |  | 4,113.8 |
| Property, equipment and software | |  | 561.1 |
| Intangible assets | |  | 3,380.1 |
|  |  |  |  |
| Goodwill | |  | 10,571.9 |
| Other non-current assets | |  | 109.3 |
|  |  |  |  |
| Current liabilities (2) | |  | (4,524.8) |
| Long-term debt (3) | |  | (2,304.7) |
| Deferred tax liability | |  | (532.8) |
| Non-current liabilities | |  | (68.3) |
|  |  |  |  |
| Total purchase price | | $ | 11,875.5 |
|  |  |  |  |
|  |  |  |  |

1. Includes $1,944.9 million of merchant float and $511.1 million of other restricted cash.
2. Includes $118.6 million of dividend payable to reflect the special dividend granted to the shareholders of Legacy Worldpay.
3. Includes $1,631.0 million of debt which was paid off subsequent to the completion of acquisition.

Intangible assets primarily consist of customer relationship assets, internal-use software and a trade name with weighted average estimated useful lives of 6.7 years, 6.5 years and 10 years, respectively.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

For the three months ended March 31, 2018, the Company incurred transaction expenses of approximately $120.8 million in conjunction with the acquisition of Legacy Worldpay. All transaction costs incurred for the three months ended March 31, 2018 are included in general and administrative expenses on the accompanying Consolidated Statements of Income.

Under the terms of the Legacy Worldpay transaction agreement, the Company replaced equity awards held by certain employees of Legacy Worldpay. The fair value of the replacement awards was approximately $82.4 million. The portion of the fair value of the replacement awards related to the services provided prior to the acquisition of approximately $44.2 million was part of the consideration transferred to acquire Legacy Worldpay. The remaining portion of the fair value is associated with future service and will be recognized as expense over the future service period.

*Pro Forma Results Giving Effect to the Legacy Worldpay Acquisition*

The following pro forma combined financial information presents the Company’s results of operations for the three months ended March 31, 2018, as if the acquisition had occurred on January 1, 2017 (in millions, except share amounts).

|  |  |  |
| --- | --- | --- |
|  | **Three Months Ended March** | |
|  |  | **31, 2018** |
|  |  | **(Pro forma)** |
| Total revenue | $ | 914.5 |
| Net income attributable to Worldpay, Inc. |  | 33.6 |
|  |  |  |
| Net income per share attributable to Worldpay, Inc. Class A common stock: |  |  |
| Basic | $ | 0.11 |
|  |  |  |
| Diluted | $ | 0.11 |
| Shares used in computing net income per share of Class A common stock: |  |  |
|  |  |  |
| Basic |  | 296,498,480 |
| Diluted |  | 298,027,972 |

The pro forma results include certain pro forma adjustments that were directly attributable to the acquisition as follows:

* + additional amortization expense that would have been recognized relating to the acquired intangible assets; and
  + adjustment to interest expense to reflect the additional borrowings of the Company in conjunction with the acquisition and removal of Legacy Worldpay debt.
  + a reduction in expenses for the three months ended March 31, 2018 relating to acquisition-related transaction costs and debt refinancing costs incurred by the Company, which were applied to the three months ended March 31, 2017.

1. **GOODWILL AND INTANGIBLE ASSETS**

Changes in the carrying amount of goodwill for the three months ended March 31, 2019 are as follows (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Technology Solutions** | | | **Merchant Solutions** | | |  | **Issuer Solutions** | |  | **Total** |
| Balance as of December 31, 2018 | $ | 9,608.4 |  | $ | 3,934.3 |  | $ | 595.2 |  | $ | 14,137.9 |
| Effect of foreign currency translation |  | 127.3 |  |  | 36.8 |  |  | — | |  | 164.1 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Balance as of March 31, 2019 | $ | 9,735.7 |  | $ | 3,971.1 |  | $ | 595.2 |  | $ | 14,302.0 |
|  |  |  |  |  |  |  |  |  |  |  |  |

Intangible assets consist of acquired customer relationships, trade name and customer portfolios and related assets. The useful lives of customer relationships are determined based on forecasted cash flows, which include estimates for customer attrition associated with the underlying portfolio of customers acquired. The customer relationships acquired in conjunction with acquisitions are amortized based on the pattern of cash flows expected to be realized taking into consideration expected revenues and customer attrition, which are based on historical data and the Company's estimates of future performance. These estimates result in accelerated amortization on certain acquired intangible assets.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

As of March 31, 2019 and December 31, 2018, the Company’s finite lived intangible assets consisted of the following (in millions):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **March 31, 2019** | |  | **December 31, 2018** |
| Customer relationship intangible assets | $ | 4,592.1 |  | $ | 4,540.9 |
| Trade name |  | 355.9 |  |  | 348.8 |
|  |  |  |  |  |  |
| Customer portfolios and related assets |  | 328.0 |  |  | 323.8 |
| Patents |  | 2.4 |  |  | 2.3 |
|  |  |  |  |  |  |
|  |  | 5,278.4 |  |  | 5,215.8 |
| Less accumulated amortization on: |  |  |  |  |  |
|  |  |  |  |  |  |
| Customer relationship intangible assets |  | 2,048.2 |  |  | 1,865.5 |
| Trade name |  | 45.4 |  |  | 35.5 |
|  |  |  |  |  |  |
| Customer portfolios and related assets |  | 201.3 |  |  | 187.0 |
|  |  | 2,294.9 |  |  | 2,088.0 |
|  |  |  |  |  |  |
| Intangible assets, net | $ | 2,983.5 |  | $ | 3,127.8 |
|  |  |  |  |  |  |

Customer portfolios and related assets acquired during the three months ended March 31, 2019 have weighted-average amortization periods of 3.0 years. Amortization expense on intangible assets for the three months ended March 31, 2019 and 2018 was $197.4 million and $149.8 million, respectively.

The estimated amortization expense of intangible assets for the remainder of 2019 and the next five years is as follows (in millions):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Nine months ended December 31, 2019 | | $ | 561.9 |  |
| 2020 | |  | 609.4 |  |
|  |  |  |  |  |
| 2021 | |  | 506.5 |  |
| 2022 | |  | 440.5 |  |
|  |  |  |  |  |
| 2023 | |  | 276.6 |  |
| 2024 | |  | 255.4 |  |
|  |  | 23 |  |  |
|  |  |  |  |  |

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**6. LONG-TERM DEBT**

As of March 31, 2019 and December 31, 2018, the Company’s long-term debt consisted of the following (in millions):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **March 31,** |  |  |  | **December 31,** |
|  | **2019** |  |  |  | **2018** |
| Term A loan, maturing in January 2023(1) | $ | 3,228.6 |  | $ | 3,271.1 |
| Term A loan, maturing in January 2023 (2) |  | 602.9 |  |  | 597.6 |
| Term B loan, maturing in October 2023 |  | — | |  | 520.1 |
| Term B loan, maturing in August 2024(3) |  | 1,737.5 |  |  | 1,741.8 |
| Senior Unsecured Dollar Notes, maturing in November 2025(4) |  | 500.0 |  |  | 500.0 |
| Senior Unsecured Sterling Notes, maturing in November 2025(5) |  | 611.9 |  |  | 598.5 |
| Senior Unsecured Euro Note, maturing in November 2022(6) |  | 605.4 |  |  | 617.5 |
| Leasehold mortgage, expiring on August 10, 2021(7) |  | 10.0 |  |  | 10.0 |
| Revolving credit facility, expiring in January 2023(8) |  | 246.0 |  |  | 50.0 |
| Less: Current portion of notes payable |  | (219.3) |  |  | (225.7) |
|  |  |  |  |  |  |
| Less: Original issue discount |  | (4.7) |  |  | (6.2) |
| Less: Debt issuance costs |  | (49.0) |  |  | (52.6) |
|  |  |  |  |  |  |
| Notes payable | $ | 7,269.3 |  | $ | 7,622.1 |
|  |  |  |  |  |  |



1. Interest at a variable base rate (LIBOR) plus a spread rate (150 basis points) (weighted average rate of 3.95% at March 31, 2019) and amortizing on a basis of 1.25% per quarter during each of the first twelve quarters (June 2018 through March 2021), 1.875% per quarter during the next four quarters (June 2021 through March 2022) and 2.50% per quarter during the next three quarters (June 2022 through December 2022) with a balloon payment due at maturity.
2. £463 million principal outstanding, translated to U.S dollars at the spot rate of 1.3020 U.S. dollars per Pound Sterling at March 31, 2019. Interest at a variable base rate (GBP LIBOR) plus a spread rate (150 basis points) (total rate of 2.23% at March 31, 2019) and amortizing on a basis of 1.25% per quarter during each of the first twelve quarters (June 2018 through March 2021), 1.875% per quarter during the next four quarters (June 2021 through March 2022) and 2.50% per quarter during the next three quarters (June 2022 through December 2022) with a balloon payment due at maturity.
3. Interest payable at a variable base rate (LIBOR) plus a spread rate (175 basis points) (weighted average rate of 4.21% at March 31, 2019) and amortizing on a basis of 0.25% per quarter, with a balloon payment due at maturity.
4. $500 million principal senior unsecured notes with interest payable semi-annually at a fixed rate of 4.375% and principal due upon maturity.
5. £470 million principal senior unsecured notes with interest payable semi-annually at a fixed rate of 3.875% and principal due upon maturity. The spot rate of 1.3020 U.S. dollars per Pound Sterling at March 31, 2019 was used to translate the Note to U.S. dollars.
6. €500 million principal senior unsecured note with interest payable semi-annually at a fixed rate of 3.75% and principal due upon maturity. The spot rate of 1.1229 U.S. dollars per Euro at March 31, 2019 was used to translate the Note to U.S. dollars. Includes remaining unamortized fair value premium of $43.9 million at March 31, 2019.
7. Interest payable monthly at a fixed rate of 6.22%.
8. Available revolving credit facility of $1.25 billion borrowing interest at a variable base rate (total rate of 6.0% at March 31, 2019).

***2018 Debt Activity***

The closing of the Legacy Worldpay acquisition on January 16, 2018 resulted in the effectiveness of several debt amendments to the Company’s loan agreement entered into prior to the closing. The resulting incremental funding and availability was as follows:

* $1,605 million of additional Term A loans maturing in January 2023
* $535 million of additional Term B loans maturing in August 2024
* $600 million of additional revolving credit commitments, resulting in total available revolving credit of $1,250 million
* $594.5 million backstop (expired on June 15, 2018)

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

As a result of the closing of the Legacy Worldpay acquisition, the Company expensed approximately $56.6 million primarily consisting of the write-offs of unamortized deferred financing fees and original issue discount (“OID”) and fees related to previously committed unused backstop facilities associated with the component of the debt activity accounted for as a debt extinguishment and certain third party costs incurred in connection with the debt activity.

Amounts expensed in connection with the refinancing are recorded as a component of non-operating expenses in the accompanying consolidated statement of income for the three months ended March 31, 2018.

On June 22, 2018, the Company amended the Existing Loan Agreement by modifying certain terms of its Term A-5 Loans (January 2023 maturity date), the Term B-3 (October 2023 maturity date) and B-4 Loans (August 2024 maturity date) and Revolving Loans (January 2023 maturity date). The amendment reduced the Company’s interest rate spread on the Term B-3 and B-4 Loans by 25 basis points and changed the pricing for the Term A-5 Loans and Revolving Loans, the immediate effect of which was to lower the interest rate spread on the Term A-5 Loans and Revolving Loans by 25 basis points.

Although the Company’s total borrowings did not change as a result of the refinancing, the amendment established a new class of Term A-6 Loans of approximately £488 million as a mirror tranche to the Term A-5 Loans under the same terms and pricing. The proceeds of the Term A-6 Loans were used to refinance and replace the existing Term A-3 Loans and certain Term A-5 Loans. In addition, commitments under the Company’s Term A-5 Loans increased by $100 million and the proceeds were used to reduce the existing Term B-3 Loans and Term B-4 Loans, each by $50 million.

Additionally, as a result of new debt being issued in connection with the Company’s acquisition of Legacy Worldpay in January 2018, and the amendment to reprice the Existing Loan Agreement in June 2018, the Company capitalized approximately $23.7 million of deferred financing costs for the year ended December 31, 2018.

***2019 Debt Activity***

On January 15, 2019, the Company paid down the outstanding balance on its Term B-3 Loan in the amount of $520.1 million, which resulted in a write-off of debt issuance costs and original issue discount of approximately $2.4 million recorded as a component of non-operating expenses in the Company’s accompanying Consolidated Statements of Income for the three months ended March 31, 2019.

***Guarantees and Security***

The Company’s debt obligations at March 31, 2019 are unconditional and, with the exception of the Euro Note, are guaranteed by Worldpay Holding and certain of Worldpay Holding’s existing and subsequently acquired or organized domestic subsidiaries. The refinanced debt and related guarantees are secured on a first-priority basis (subject to liens permitted under the Third Amended and Restated Loan Agreement) by a lien on substantially all the tangible and intangible assets of the Company and the aforementioned subsidiaries, including substantially all the capital stock (subject to a 65% limitation on pledges of capital stock of foreign subsidiaries and domestic holding companies of foreign subsidiaries) and personal property of Worldpay Holding and any obligors under the Third Amended and Restated Loan Agreement as well as any real property in excess of $25 million in the aggregate held by Worldpay Holding or any obligors (other than Worldpay Holding), subject to certain exceptions. The Euro Note is guaranteed by Worldpay Group Limited. Additionally, the Euro Note is also guaranteed by Worldpay LLC as a result of the Company receiving the required consent from the Euro Note holders in July 2018 to relieve reporting requirements associated with those notes.

***Covenants***

There are certain financial and non-financial covenants contained in the Existing Loan Agreement for the refinanced debt, which are tested on a quarterly basis. The financial covenants require maintenance of certain leverage and interest coverage ratios. At March 31, 2019, the Company was in compliance with these financial covenants.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**7. DERIVATIVES AND HEDGING ACTIVITIES**

***Risk Management Objective of Using Derivatives***

The Company enters into derivative financial instruments to manage differences in the amount, timing and duration of its known or expected cash payments related to its variable-rate debt. As of March 31, 2019 and December 31, 2018, the Company’s interest rate derivative instruments for this purpose consist of interest rate swaps and interest rate cap agreements. The interest rate swaps hedge the variable rate debt by effectively converting floating-rate payments to fixed-rate payments. The interest rate cap agreements cap a portion of the Company’s variable rate debt if interest rates rise above the strike rate on the contract.

In May 2018, the Company entered into additional interest rate cap and swap agreements and the Company paid an upfront premium of approximately $8.1 million for the interest rate caps. As of March 31, 2019, the Company’s interest rate caps, including those executed in prior years, had a fair value of $15.9 million, classified within other current and non-current assets on the Company’s consolidated statements of financial position. The interest rate swaps and caps (collectively “interest rate contracts”) are designated as cash flow hedges for accounting purposes.

***Accounting for Derivative Instruments***

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging* (Topic 815): Targeted Improvements to Accounting for Hedging Activities, which amends and simplifies existing guidance to better align an entity’s risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The Company adopted this ASU as of January 1, 2019 with an immaterial impact on the Company’s Consolidated Financial Statements.

The Company recognizes derivatives in other current and non-current assets or liabilities in the accompanying Consolidated Statements of Financial Position at their fair values. Refer to Note 10 - Fair Value Measurements for a detailed discussion of the fair value of its derivatives. The Company designates its interest rate contracts as cash flow hedges of forecasted interest rate payments related to its variable-rate debt.

The Company formally documents all relationships between hedging instruments and underlying hedged transactions, as well as its risk management objective and strategy for undertaking hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to forecasted transactions. A formal assessment of hedge effectiveness is performed both at inception of the hedge and on an ongoing basis to determine whether the hedge is highly effective in offsetting changes in cash flows of the underlying hedged item. Hedge effectiveness is assessed using a regression analysis. If it is determined that a derivative ceases to be highly effective during the term of the hedge, the Company will discontinue hedge accounting for such derivative.

The Company’s interest rate contracts qualify for hedge accounting under ASC 815, *Derivatives and Hedging*. Therefore, the gain or loss on the derivative is recorded in AOCI and subsequently reclassified into earnings in the same period during which the hedged transactions affect earnings.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

***Cash Flow Hedges of Interest Rate Risk***

The following table presents the Company’s interest rate swaps and caps (in millions):

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Derivative** | | **Notional Value** |  |  | **Exposure Periods** | | **Strike Rate** |
|  |  |  |  |  |  |  |  |
| Interest rate swap | | $ | 600 |  | June 2018 to January 2021 | |  |
| Interest rate swap | |  | 500 |  | June 2019 to June 2021 | |  |
|  |  |  |  |  |  |  |  |
| Total | | $ | 1,100 |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Interest rate cap | | $ | 1,000 |  | January 2017 to January 2020 | | 0.75% |
| Interest rate cap | |  | 600 |  | June 2018 to June 2021 | | 2.25% |
|  |  |  |  |  |  |  |  |
| Total | | $ | 1,600 |  |  |  |  |
|  |  |  |  |  |  |  |  |

The Company does not offset derivative positions in the accompanying consolidated financial statements. The table below presents the fair value of the Company’s derivative financial instruments designated as cash flow hedges included within the accompanying Consolidated Statements of Financial Position (in millions):

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Consolidated Statement of** | |  |  |  |  |  |
|  | **Financial Position Location** | |  | **March 31, 2019** | |  | **December 31, 2018** |
|  |  |  |  |  |  |  |  |
| Interest rate contracts | Other current assets | | $ | 14.5 |  | $ | 19.3 |
| Interest rate contracts | Other long-term assets | |  | 1.5 |  |  | 5.3 |
|  |  |  |  |  |  |  |  |
| Interest rate contracts | Other current liabilities | |  | 4.1 |  |  | 1.8 |
| Interest rate contracts | Other long-term liabilities | |  | 11.3 |  |  | 8.2 |

As of March 31, 2019, the Company estimates that $1.4 million will be reclassified from accumulated other comprehensive income as a decrease to interest expense during the next 12 months.

The table below presents the pre-tax effect of the Company’s interest rate contracts on the accompanying Consolidated Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018 (in millions):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended March 31,** | | | |  |
|  | **2019** |  |  | **2018** |  |
| **Derivatives in cash flow hedging relationships:** |  |  |  |  |  |
| Amount of (loss) gain recognized in OCI (1) | $ | (9.4) |  | $ | 6.3 |
| Amount of gain (loss) reclassified from OCI into earnings |  | 2.2 |  |  | (0.6) |
| Amount of gain recognized in earnings |  | — | |  | 0.1 |



1. “OCI” represents other comprehensive income.

The location and amount of gains or losses recognized in the consolidated results of operations for cash flow hedging relationships for each of the periods, presented on a pretax basis, are as follows (in millions):

**Three Months Ended March 31,**



**2019**



Interest Expense - Net

**2018**



Interest Expense - Net

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Total amounts of income and expense line items presented in the consolidated results of operations in | $ | 72.1 |  | $ | 75.2 |
| which effects of cash flow hedges are recorded |  |  |  |  |  |
| Gain (loss) on cash flow hedging relationships |  | 2.2 |  |  | (0.6) |

***Credit Risk Related Contingent Features***

As of March 31, 2019, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $15.8 million.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, then the Company could also be declared in default on its derivative obligations. As of March 31, 2019, the Company had not posted any collateral related to these agreements. If the Company had breached any of these provisions at March 31, 2019, it could have been required to settle its obligations under the agreements at their termination value of $15.8 million.

***Deal Contingent Forward***

On August 9, 2017, the Company entered into a £1,150 million notional deal contingent forward to economically hedge a portion of the purchase price relating to the Legacy Worldpay acquisition. The deal contingent forward settled upon the closing of the Legacy Worldpay acquisition in January 2018 and the Company recognized a related realized gain of approximately $69.0 million, of which approximately $35.9 million of the gain relates to the three months ended March 31, 2018, which is recorded in non-operating expense.

***Net Investment Hedges***

To help protect the net investment in foreign operations from adverse changes in foreign currency exchange rates, the Company uses non-derivative financial instruments, such as its foreign currency-denominated debt, as economic hedges of its net investments in its Euro and GBP functional subsidiaries (see Note 6 - Long-Term Debt for more discussion on the Company’s foreign currency-denominated debt). The Company designated 100% of its Euro and GBP denominated debt as net investment hedges.

The Company’s net investment hedges are recorded in other comprehensive income (loss). During the three months ended March 31, 2019 and 2018, the Company recognized in other comprehensive income pre-tax losses of $3.5 million and $7.5 million, respectively, relating to these net investment hedges. Reclassifications out of OCI would only take place if the Company’s subsidiaries were sold or substantially liquidated.

**8. CONTROLLING AND NON-CONTROLLING INTERESTS**

The Company accounts for non-controlling interests in accordance with ASC 810, *Consolidation*. Prior to the March 2019 Fifth Third Stock Sale discussed in Note 1- Basis of Presentation and Summary of Significant Accounting Policies, Worldpay, Inc. owned a controlling interest in Worldpay Holding, and therefore consolidated the financial results of Worldpay Holding and its subsidiaries and recorded non-controlling interest for the economic interests in Worldpay Holding held by Fifth Third, which primarily represented Fifth Third’s minority share of net income or loss of equity in Worldpay Holding. The Exchange Agreement entered into prior to the IPO provided for a 1 to 1 ratio between the units of Worldpay Holding and the common stock of Worldpay, Inc. Net income attributable to non-controlling interests does not include expenses incurred directly by Worldpay, Inc., including income tax expense attributable to Worldpay, Inc. Non-controlling interests are presented as a component of equity in the accompanying Consolidated Statements of Financial Position.

The Company also records non-controlling interest related to its 51% ownership in a joint venture.

As a result of the Fifth Third Stock Sale (See Note 1 - Basis of Presentation and Summary of Significant Accounting Policies for further discussion), Worldpay, Inc. owned 100% interest in Worldpay Holding as of March 31, 2019. Changes in units and related ownership interest in Worldpay Holding are summarized as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Worldpay, Inc.** | | **Fifth Third** | | **Total** |  |
| **As of December 31, 2018** | 300,454,590 |  | 10,252,826 |  | 310,707,416 |  |
| *% of ownership* | *96.70%* |  | *3.30%* |  |  |  |
|  |  |  |  |  |  |  |
| Fifth Third exchange of Worldpay Holding units for shares of Class A common |  |  |  |  |  |  |
| stock | 10,252,826 |  | (10,252,826) |  | — |  |
| Equity plan activity (1) | 510,677 |  | — |  | 510,677 |  |
| **As of March 31, 2019** | 311,218,093 |  | — | | 311,218,093 |  |
| *% of ownership* |  |  |  |  |  |  |
| *100.00%* |  | *—%* | |  |  |



1. Includes stock issued under the equity plans less Class A common stock withheld to satisfy employee tax withholding obligations upon vesting or exercise of employee equity awards and forfeitures of restricted Class A common stock awards.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

As a result of the changes in ownership interests in Worldpay Holding, periodic adjustments are made in order to reflect the portion of net assets of Worldpay Holding attributable to non-controlling unit holders based on changes in the proportionate ownership interests in Worldpay Holding during those periods. At March 31, 2019, an adjustment of $347.4 million was made relating to Fifth Third’s conversion of its remaining Class B units in Worldpay Holding.

The table below provides a reconciliation of net income attributable to non-controlling interests based on relative ownership interests as discussed above (in millions):

**Three Months Ended March 31,**



|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **2019** |  |  |  | **2018** |
| Net income (loss) | | $ | 38.1 |  | $ | (98.3) |
| Items not allocable to non-controlling interests: | |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Worldpay, Inc. expenses (1) | |  | 1.7 |  |  | 30.6 |
| Worldpay Holding net income (loss) | | $ | 39.8 |  | $ | (67.7) |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Net income (loss) attributable to non-controlling interests of Fifth Third (2) | | $ | 1.1 |  | $ | (1.0) |
| Net income attributable to joint venture non-controlling interest (3) | |  | 0.6 |  |  | 0.3 |
| Total net income (loss) attributable to non-controlling interests | | $ | 1.7 |  | $ | (0.7) |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

* 1. Primarily represents income tax expense for the three months ended March 31, 2019. Primarily represents acquisition related expenses for the three months ended March 31, 2018.
  2. Net income attributable to non-controlling interests of Fifth Third reflects the allocation of Worldpay Holding’s net income based on the proportionate ownership interests in Worldpay Holding held by the non-controlling unit holders. The net income attributable to non-controlling unit holders reflects the changes in ownership interests summarized in the table above.
  3. Reflects net income attributable to the non-controlling interest of the joint venture.

1. **COMMITMENTS, CONTINGENCIES AND GUARANTEES**

***Legal Reserve***

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. While it is impossible to ascertain the ultimate resolution or range of financial liability with respect to these contingent matters, management believes none of these matters, either individually or in the aggregate, would have a material effect upon the Company’s consolidated financial statements.

**10. FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses the hierarchy prescribed in ASC 820, *Fair Value Measurement*, based upon the available inputs to the valuation and the degree to which they are observable or not observable in the market. The three levels in the hierarchy are as follows:

* *Level 1 Inputs*—Quoted prices (unadjusted) for identical assets or liabilities in active markets that are accessible as of the measurement date.
* *Level 2 Inputs*—Inputs other than quoted prices within Level 1 that are observable either directly or indirectly, including but not limited to quotedprices in markets that are not active, quoted prices in active markets for similar assets or liabilities and observable inputs other than quoted prices such as interest rates or yield curves.
* *Level 3 Inputs*—Unobservable inputs reflecting the Company’s own assumptions about the assumptions that market participants would use in pricingthe asset or liability, including assumptions about risk.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of March 31, 2019 and December 31, 2018 (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **March 31, 2019** | | |  |  |  |  |  |  | **December 31, 2018** | | |  |  |
|  |  |  |  |  |  |  |  | **Fair Value Measurements Using** | | | | |  |  |  |  |  |
|  | **Level 1** |  |  |  | **Level 2** | |  | **Level 3** | |  | **Level 1** | |  | **Level 2** | |  | **Level 3** |
| Assets: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest rate contracts | $ | — | | $ | 16.0 |  | $ | — | | $ | — | | $ | 24.6 |  | $ | — |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Liabilities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest rate contracts | $ | — | | $ | 15.4 |  | $ | — | | $ | — | | $ | 10.0 |  | $ | — |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Mercury TRA |  | — | |  | 42.9 |  |  | — | |  | — | |  | 53.2 |  |  | — |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

***Interest Rate Contracts***

The Company uses interest rate contracts to manage interest rate risk. The fair value of interest rate swaps is determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on the expectation of future interest rates (forward curves) derived from observed market interest rate curves. The fair value of the interest rate caps is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected future cash flows of each interest rate cap. This analysis reflects the contractual terms of the interest rate caps, including the period to maturity, and uses observable market inputs including interest rate curves and implied volatilities. In addition, to comply with the provisions of ASC 820, *Fair Value Measurement*, credit valuation adjustments, which consider the impact of any credit enhancements to the contracts, are incorporated in the fair values to account for potential nonperformance risk. In adjusting the fair value of its interest rate contracts for the effect of nonperformance risk, the Company has considered any applicable credit enhancements such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company determined that the majority of the inputs used to value its interest rate contracts fell within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its interest rate contracts utilized Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of March 31, 2019 and December 31, 2018, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its interest rate contracts and determined that the credit valuation adjustment was not significant to the overall valuation of its interest rate contracts. As a result, the Company classified its interest rate contract valuations in Level 2 of the fair value hierarchy. See Note 7 - Derivatives and Hedging Activities for further discussion of the Company’s interest rate contracts.

***Mercury TRA***

The Mercury TRA is considered contingent consideration as it is part of the consideration payable to the former owners of Mercury. Such contingent consideration is measured at fair value based on estimates of discounted future cash flows associated with the estimated payments to the Mercury TRA Holders. The liability recorded is re-measured at fair value at each reporting period with the change in fair value recognized in earnings as a non-operating expense.

The following table summarizes carrying amounts and estimated fair values for the Company’s financial instrument liabilities that are not reported at fair value in our consolidated statements of financial position as of March 31, 2019 and December 31, 2018 (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **March 31, 2019** | | |  |  |  | **December 31, 2018** | | | |  |  |
|  |  |  | **Carrying** | |  | **Fair Value** | |  | **Carrying** | |  | **Fair Value** |  |  |
|  |  |  | **Amount** | |  |  | **Amount** | |  |  |  |
| Liabilities: | |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Notes payable | $ | 7,488.6 |  | $ | 7,579.0 |  | $ | 7,847.8 |  | $ | 7,679.6 |  |  |
|  |  |  | 30 |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

We consider that the carrying value of cash and cash equivalents, receivables, accounts payable and accrued expenses approximates fair value (Level

1. given the short-term nature of these items. The fair value of the Company’s notes payable was estimated based on rates currently available to the Company for bank loans with similar terms and maturities and is classified in Level 2 of the fair value hierarchy.

**11. NET INCOME PER SHARE**

Basic net income per share is calculated by dividing net income (loss) attributable to Worldpay, Inc. by the weighted-average shares of Class A common stock outstanding during the period.

Diluted net income per share is calculated assuming that Worldpay Holding is a wholly-owned subsidiary of Worldpay, Inc., therefore eliminating the impact of Fifth Third’s non-controlling interest. Pursuant to the Exchange Agreement, the Class B units of Worldpay Holding (“Class B units”), which are held by Fifth Third and represent the non-controlling interest in Worldpay Holding, are convertible into shares of Class A common stock on a one-for-one basis. Based on this conversion feature, diluted net income per share is calculated assuming the conversion of the Class B units on an “if-converted” basis. Due to the Company’s structure as a C corporation and Worldpay Holding’s structure as a pass-through entity for tax purposes, the numerator in the calculation of diluted net income per share is adjusted accordingly to reflect the Company’s income tax expense assuming the conversion of the Fifth Third non-controlling interest into Class A common stock.

During the three months ended March 31, 2019 and 2018, approximately 8.7 million and 15.3 million weighted-average dilutive Class B units of Worldpay Holding were excluded in computing diluted net income (loss) per share because including them would have an antidilutive effect. As the Class B units of Worldpay Holding were not included, the numerator used in the calculation of diluted net income (loss) per share was equal to the numerator used in the calculation of basic net income (loss) per share for the three months ended March 31, 2019 and 2018. As of March 31, 2019, all Class B units have been converted to Class A common stock and therefore there are no Class B units outstanding. As of March 31, 2018, there were approximately 15.3 million Class B units outstanding.

In addition to the Class B units discussed above, potentially dilutive securities during the three months ended March 31, 2019 and 2018 included restricted stock awards, restricted stock units, stock options, performance share awards and ESPP purchase rights. Due to the net loss for three months ended March 31, 2018, any potentially dilutive securities were also excluded from the denominator in computing dilutive net income per share.

The shares of Class B common stock do not share in the earnings or losses of the Company and are therefore not participating securities.

Accordingly, basic and diluted net income per share of Class B common stock have not been presented.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The following table sets forth the computation of basic and diluted net income (loss) per share (in millions, except share data):

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended March 31,** | | | | |  |
|  |  |  | **2019** |  |  | **2018** |  |  |
| **Basic:** | |  |  |  |  |  |  |  |
|  | Net income (loss) attributable to Worldpay, Inc. | $ | 36.4 |  | $ | (97.6) |  |  |
|  |  |  |  |  |  |  |  |  |
|  | Shares used in computing basic net income (loss) per share: |  |  |  |  |  |  |  |
|  | Weighted-average Class A common shares |  | 302,046,241 |  |  | 274,098,480 |  |  |
|  |  |  |  |  |  |  |  |  |
|  | **Basic net income (loss) per share** | $ | 0.12 |  | $ | (0.36) |  |  |
| **Diluted:** | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  | Net income (loss) attributable to Worldpay, Inc. | $ | 36.4 |  | $ | (97.6) |  |  |
|  | Shares used in computing diluted net income (loss) per share: |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  | Weighted-average Class A common shares |  | 302,046,241 |  |  | 274,098,480 |  |  |
|  | Weighted-average Class B units of Worldpay Holding |  | — | |  | — | |  |
|  |  |  |  |  |  |  |  |  |
|  | Stock options |  | 929,755 |  |  | — | |  |
|  | Restricted stock awards, restricted stock units and employee stock purchase plan |  | 889,105 |  |  | — | |  |
|  |  |  |  |  |  |  |  |  |
|  | Performance awards |  | 11,866 |  |  | — | |  |
|  | Diluted weighted-average shares outstanding |  | 303,876,967 |  |  | 274,098,480 |  |  |
|  |  |  |  |  |  |  |  |  |
|  | **Diluted net income (loss) per share** | $ | 0.12 |  | $ | (0.36) |  |  |
| 32 | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**12. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The activity of the components of accumulated other comprehensive income (loss) (“AOCI”) related to hedging and other activities for the three months ended March 31, 2019 and 2018 is presented below (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  | **Total Other Comprehensive Income (Loss)** | | | | | | | |  |  |  |  |  |  |
|  |  |  |  | **AOCI** | |  | **Pretax** | |  |  |  |  | **Net** | | **Attributable to non-** | | |  | **Attributable to** | | **AOCI Ending** | |  |
|  |  |  |  | **Beginning** | |  | **Tax Effect** | | |  |  |  |
|  |  |  |  | **Balance** | |  | **Activity** | |  | **Activity** | | **controlling interests** | | |  | **Worldpay, Inc.** | |  | **Balance** |  |
| Three Months Ended March 31, 2019 | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net change in fair value of cash flow hedges | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| recorded in accumulated OCI | | | $ | (18.0) |  | $ | (9.4) |  | $ | 2.2 |  | $ | (7.2) |  | $ | 0.2 |  | $ | (7.0) |  | $ | (25.0) |  |
| Net realized loss on cash flow hedges reclassified | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| into earnings(1) | | |  | 15.9 |  |  | (2.2) |  |  | 0.5 |  |  | (1.7) |  |  | — | |  | (1.7) |  |  | 14.2 |  |
| Translation adjustments on net investment hedge | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| recorded in AOCI(2) | | |  | 52.2 |  |  | (3.5) |  |  | 0.7 |  |  | (2.8) |  |  | 0.4 |  |  | (2.4) |  |  | 49.8 |  |
| Foreign currency translation adjustments(3) | | |  | (781.3) |  |  | 182.0 |  |  | — | |  | 182.0 |  |  | (8.6) |  |  | 173.4 |  |  | (607.9) |  |
| Net change | | | $ | (731.2) |  | $ | 166.9 |  | $ | 3.4 |  | $ | 170.3 |  | $ | (8.0) |  | $ | 162.3 |  | $ | (568.9) |  |
| Three Months Ended March 31, 2018 | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net change in fair value of cash flow hedges | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| recorded in accumulated OCI | | | $ | (13.8) |  | $ | 6.3 |  | $ | (1.5) |  | $ | 4.8 |  | $ | (0.4) |  | $ | 4.4 |  | $ | (9.4) |  |
| Net realized loss on cash flow hedges reclassified | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| into earnings(1) | | |  | 16.7 |  |  | 0.6 |  |  | (0.1) |  |  | 0.5 |  |  | — | |  | 0.5 |  |  | 17.2 |  |
| Translation adjustments on net investment hedge | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| recorded in AOCI(2) | | |  | — | |  | (7.5) |  |  | 2.0 |  |  | (5.5) |  |  | 0.4 |  |  | (5.1) |  |  | (5.1) |  |
| Foreign currency translation adjustments(3) | | |  | — | |  | 22.2 |  |  | — | |  | 22.2 |  |  | (1.1) |  |  | 21.1 |  |  | 21.1 |  |
| Net change | | | $ | 2.9 |  | $ | 21.6 |  | $ | 0.4 |  | $ | 22.0 |  | $ | (1.1) |  | $ | 20.9 |  | $ | 23.8 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. The reclassification adjustment on cash flow hedge derivatives affected the following lines in the accompanying consolidated statements of income:

|  |  |  |
| --- | --- | --- |
| OCI Component | | Affected line in the accompanying consolidated statements of income |
|  |  |  |
| Pretax activity(a) | | Interest expense-net |
| Tax effect | | Income tax expense |
| OCI attributable to non-controlling interests | | Net income attributable to non-controlling interests |

* + 1. The three months ended March 31, 2019 and 2018, reflect amounts of losses reclassified from AOCI into earnings, representing the effective portion of the hedging relationships, and are recorded in interest expense-net.
  1. See Note 7 - Derivatives and Hedging Activities for more information on net investment hedge activity.
  2. There is no tax impact on the foreign translation adjustments due to the Tax Reform impact on distributions, enacted in 2017.

1. **SEGMENT INFORMATION**

The Company’s segments are Technology Solutions, Merchant Solutions and Issuer Solutions, which are organized based on the Company’s solution offerings. The Company’s Chairman of the Board and Chief Executive Officer is the chief operating decision maker (“CODM”), who evaluates the performance and allocates resources based on the operating results of each segment. The Company’s reportable segments are the same as the Company’s operating segments and there is no aggregation of the Company’s operating segments. Below is a summary of each segment:

* *Technology Solutions* - Technology Solutions provides merchant acquiring, payment processing and related services to a diverse set of merchantsthat primarily accept payments through eCommerce and integrated payment solutions.
* *Merchant Solutions* - Merchant Solutions provides merchant acquiring, payment processing and related services to a diverse set of merchants thatprimarily accept payments through an omni-channel solution including terminal based.

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**Worldpay, Inc.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

* *Issuer Solutions* - Issuer Solutions provides card issuer processing, payment network processing, fraud protection and card production to a diverseset of financial institutions, including regional banks, community banks, credit unions and regional PIN networks.

Segment operating results are presented below (in millions). The results reflect revenues and expenses directly related to each segment. The Company does not evaluate performance or allocate resources based on segment asset data, and therefore such information is not presented.

Segment profit reflects revenue less sales and marketing costs of the segment. The Company’s CODM evaluates this metric in analyzing the results of operations for each segment.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Three Months Ended March 31, 2019** | | | | |  |  |
|  |  |  | |  |  |  |  |  | |  |  |
|  |  | **Technology** | |  |  |  |  | **Issuer** | |  |  |
|  |  | **Solutions** | |  | **Merchant Solutions** | |  | **Solutions** | |  | **Total** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Revenue | $ | 427.3 |  | $ | 459.4 |  | $ | 83.3 |  | $ | 970.0 |
| Sales and marketing |  | 118.4 |  |  | 166.0 |  |  | 6.5 |  |  | 290.9 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Segment profit | $ | 308.9 |  | $ | 293.4 |  | $ | 76.8 |  | $ | 679.1 |
|  |  |  |  |  |  |  |  | |  |  |  |
|  |  |  |  |  | **Three Months Ended March 31, 2018** | | | | |  |  |
|  |  |  | |  |  |  |  |  | |  |  |
|  |  | **Technology** | |  |  |  |  | **Issuer** | |  |  |
|  |  | **Solutions** | |  | **Merchant Solutions** | |  | **Solutions** | |  | **Total** |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Revenue | $ | 336.4 |  | $ | 432.2 |  | $ | 82.1 |  | $ | 850.7 |
| Sales and marketing |  | 95.9 |  |  | 163.8 |  |  | 6.3 |  |  | 266.0 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Segment profit | $ | 240.5 |  | $ | 268.4 |  | $ | 75.8 |  | $ | 584.7 |
|  |  |  |  |  |  |  |  |  |  |  |  |

A reconciliation of total segment profit to the Company’s income (loss) before applicable income taxes is as follows (in millions):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended March 31,** | | | | |
|  |  |  |  |  |  |
|  | **2019** |  |  |  | **2018** |
|  |  |  |  |  |  |
| Total segment profit | $ | 679.1 |  | $ | 584.7 |
| Less: Other operating costs |  | (181.0) |  |  | (155.1) |
|  |  |  |  |  |  |
| Less: General and administrative |  | (127.4) |  |  | (250.1) |
| Less: Depreciation and amortization |  | (264.4) |  |  | (207.2) |
|  |  |  |  |  |  |
| Less: Interest expense—net |  | (72.1) |  |  | (75.2) |
| Less: Non-operating income (expense) |  | 3.5 |  |  | (8.6) |
|  |  |  |  |  |  |
| Income (loss) before applicable income taxes | $ | 37.7 |  | $ | (111.5) |
|  |  |  |  |  |  |

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**Worldpay, Inc.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*This management’s discussion and analysis provides a review of the results of operations, financial condition and liquidity and capital resources of Worldpay, Inc. (“Worldpay”, “we”, “us”, “our” or the “company” refer to Worldpay, Inc. and its consolidated subsidiaries) and outlines the factors that affected recent results, as well as factors that may affect future results. Our actual results in the future may differ materially from those anticipated in these forward looking statements as a result of many factors, including those set forth under “Risk Factors”,” Forward Looking Statements” and elsewhere in this report. The following discussion should be read in conjunction with our unaudited consolidated financial statements and related notes appearing elsewhere in this report, as well as management’s discussion and analysis and consolidated financial statements for the year ended December 31, 2018 included in our most recent Annual Report on Form 10-K.*

**Overview**

Worldpay, Inc. is a leading payments technology company. We process over 40 billion transactions annually, supporting more than 300 payment types across 146 countries and 126 currencies. According to the Nilson Report, we are the largest merchant acquirer globally by number of transactions, and the largest PIN debit acquirer by number of transactions in the United States.

We are a payments innovator, differentiated by our global reach, innovative technology and tailored solutions. Our leading competitive position and differentiated solutions have enabled us to achieve unique advantages in fast-growing and strategically-important segments of the payments market, including unrivaled capabilities in global eCommerce, a first-mover advantage in U.S. Integrated Payments, and Enterprise payments and data security solutions in business-to-business (B2B) payments.

Our solutions bring together advanced payments technologies at each stage of the transaction life cycle. We enable acceptance by integrating software and delivering omni-channel solutions that allow merchants to transact online, via mobile and in-store. Our innovative and proprietary suite of payments technology enables our clients to increase their revenue by improving authorization rates while simultaneously lowering transaction costs. We offer numerous dynamic funding options and enable real-time payouts at settlement. We use advanced data analytics and machine learning to continuously evolve our capabilities, and we offer additional value-added services, including prepaid services and gift card solutions, to help our clients operate and manage their businesses more profitably. We also provide security solutions, such as point-to-point encryption, tokenization, and fraud prevention services, at each stage of the transaction lifecycle, in order to help our clients protect their revenue.

Our global reach, innovative technology and tailored solutions create our client value proposition. Our global reach makes it easy for our clients to expand into new markets and to simplify the back-office operations. We employ the most advanced payments technologies to help our clients increase their revenue while minimizing costs. Our flexible and client-centered technology platforms enable our in-country vertical-specific and technical experts to develop tailored solutions that

solve our clients’ most complex needs.

**Merger with Fidelity National Information Services (“FIS”)**

On March 18, 2019, Worldpay and Fidelity National Information Services, Inc. (“FIS”) issued a joint press release announcing that Worldpay, FIS and Wrangler Merger Sub, Inc., a wholly-owned subsidiary of FIS (“Merger Sub”), entered into an agreement and plan of merger, dated March 17, 2019 (the “Merger Agreement”), pursuant to which, on the terms and subject to the conditions set forth therein, Merger Sub will merge with and into Worldpay (the “Merger”), with Worldpay being the surviving corporation in the Merger and continuing as a wholly-owned subsidiary of FIS.

At the effective time of the Merger (“Effective Time”), which is expected to occur in the third quarter of 2019, each share of the Class A common stock of Worldpay, par value $0.00001 per share (“Worldpay Class A Common Stock”), issued and outstanding immediately prior to the Effective Time, except for certain shares of Worldpay Class A Common Stock identified in the Merger Agreement, will be converted into the right to receive 0.9287 shares (the “Exchange Ratio”) of common stock, par value $0.01 per share, of FIS (“FIS Common Stock” and, such shares, the “Share Consideration”) and $11.00 in cash (the “Cash Consideration” and, together with the Share Consideration, the “Merger Consideration”). The shares of FIS Common Stock to be issued in the Merger will be listed on The New York Stock Exchange (“NYSE”). Following the consummation of the Merger, FIS shareholders will own approximately 53 percent and Worldpay shareholders will own

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approximately 47 percent of the combined company. The Merger Consideration (as of the date the Merger Agreement was executed) valued Worldpay at an enterprise value of approximately $43 billion, including the assumption of Worldpay debt, which FIS expects to refinance.

Completion of the Merger is subject to the satisfaction or waiver of customary closing conditions for both parties, including receipt of required regulatory and shareholder approvals and other customary closing conditions.

In connection with the proposed Merger, on April 12, 2019, FIS filed a preliminary registration statement on Form S-4 with the SEC that became available on the SEC’s Edgar system on April 15, 2019.

**Executive Overview**

Revenue for the three months ended March 31, 2019 increased 14% to $970.0 million from $850.7 million in 2018.

Income (loss) from operations for the three months ended March 31, 2019 increased to $106.3 million from a loss of $27.7 million in 2018.

Net income (loss) for the three months ended March 31, 2019 was $38.1 million compared to a loss of $98.3 million in 2018. Net income (loss) attributable to Worldpay, Inc. for the three months ended March 31, 2019 was $36.4 million compared to a loss of $97.6 million in 2018. See the “Results of Operations” section of this Management’s Discussion and Analysis for a discussion of our financial results.

**Recent Acquisitions**

On January 16, 2018, we completed the acquisition of Worldpay Group Limited, formerly Worldpay Group plc, a public limited company (“Legacy Worldpay”) by acquiring 100% of the issued and outstanding shares. The acquisition created a leading global integrated payment technology and international eCommerce payment provider and will enable us to take advantage of strategic and innovative opportunities to provide differentiated and diversified solutions to address clients’ needs.

Please see Note 4 - Business Combinations in “Item 1 - Notes to Unaudited Consolidated Financial Statements” for more information about the acquisition.

**Our Segments, Revenue and Expenses**

***Technology Solutions***

Technology Solutions provides merchant acquiring, payment processing and related services to a diverse set of merchants that primarily accept payments through eCommerce and integrated payment solutions.

***Merchant Solutions***

Merchant Solutions provides merchant acquiring, payment processing and related services to a diverse set of merchants that primarily accept payments through an omni-channel solution including terminal based.

***Issuer Solutions***

Issuer Solutions provides card issuer processing, payment network processing, fraud protection and card production to a diverse set of financial institutions, including regional banks, community banks, credit unions and regional PIN networks.

***Revenue***

We provide a wide range of electronic payment and related products and services, both online and by mobile, to accept, validate and settle payments in 126 currencies across 146 countries, using any one of over 300 payment methods. Our customers also use our payments technology to maximize the rate at which payments are approved, manage the risk of fraud, and optimize their costs of operating globally.

We generate revenue primarily by providing payment processing as well as related products and services. The segment discussion above provides a description of our revenues by segment.

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***Expenses***

Set forth below is a brief description of the components of our expenses:

* *Sales and marketing* expense primarily consists of compensation, commissions and benefits paid to sales personnel, sales management and othersales and marketing personnel, amortization of capitalized commission fees, residual payments made to multiple referral partners and advertising and promotional costs.
* *Other operating costs* primarily consist of compensation and benefits paid to operational and IT personnel, costs associated with operating ourtechnology platform and data centers, information technology costs for processing transactions, product development costs, software fees, maintenance costs, occupancy costs and consulting costs.
* *General and administrative* expenses primarily consist of compensation and benefits paid to executive management and administrativeemployees, including finance, human resources, product, legal and risk management, share-based compensation costs, office equipment, occupancy costs and consulting costs. The three months ended March 31, 2018 includes a significant amount of transition, acquisition and integration costs related to the Legacy Worldpay acquisition.
* *Depreciation and amortization* expense consists of our depreciation expense related to investments in property, equipment and software as wellas our amortization of intangible assets.
* *Interest expense—net* consists primarily of interest on borrowings less interest income earned on our cash and cash equivalents.
* *Income tax expense (benefit)* represents foreign, federal, state and local taxes based on income/loss.
* *Non-operating income (expense)* primarily consists of other income and expense items outside of the Company’s operating activities.

***Non-Controlling Interest***

Since Fifth Third had a non-controlling interests in Worldpay Holding through March 2019, our results of operations include net income attributable to non-controlling interests. As a result of the March 2019 Fifth Third Stock Sale discussed in Note 1 - Basis of Presentation and Summary of Significant Accounting Policies in “Item 1 - Notes to Unaudited Consolidated Financial Statements,” Fifth Third no longer has non-controlling interests in Worldpay Holding. Net income attributable to non-controlling interests continues to include the non-controlling interest related to a joint venture with a bank partner. See Note 8 - Controlling and Non-Controlling Interests in “Item 1 - Notes to Unaudited Consolidated Financial Statements” for more information.

**Factors and Trends Impacting Our Business and Results of Operations**

The majority of our revenues are generated by services priced as a percentage of transaction value, a specified fee per transaction, a fixed fee, or a combination. We also generate revenue based on products and specific value-added services that may or may not be related to the volume or number of transactions. These revenues depend upon a number of factors such as demand for and price of our products or services, the technological competitiveness of our offerings, our reputation for providing timely and reliable products and services, competition within our industry and general economic conditions.

**Adjusted Net Income**

We use adjusted net income for financial and operational decision making as a means to evaluate period-to-period comparisons of our performance and results of operations. The adjusted net income is also incorporated into performance metrics underlying certain share-based payments and our annual incentive plan. We believe the adjusted net income provides useful information about our performance and operating results, enhances the overall understanding of past financial performance and future prospects and allows for greater transparency with respect to key metrics used by management in its financial and operational decision making.

In calculating the adjusted net income, we make certain non-GAAP adjustments, as well as certain tax adjustments, to adjust our GAAP operating results for the items discussed below. This non-GAAP measure should be considered together with GAAP operating results.

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***Non-GAAP Adjustments***

*Transition, Acquisition and Integration Costs*

In connection with our acquisitions, we incur costs associated with the acquisitions and related integration activities, consisting primarily of consulting fees for advisory, conversion and integration services and related personnel costs. Also included in these expenses are costs related to employee termination benefits and other transition activities. These transition, acquisition and integration costs are included in other operating costs and general and administrative expenses.

*Share-Based Compensation*

We have granted share-based awards to certain employees and members of our board of directors and intend to continue to grant additional share-based awards in the future. Share-based compensation is included in general and administrative expense.

*Intangible Amortization Expense*

These expenses represent amortization of intangible assets acquired through business combinations and customer portfolio and related asset acquisitions as well as depreciation of acquired software.

*Non-operating Income (Expense)*

Non-operating income (expense) primarily consists of other income and expense items outside of the Company’s operating activities.

***Tax Adjustments***

*Income Tax Expense Adjustments*

Our effective tax rate reported in our results of operations reflects the impact of our non-controlling interests not being taxed at the statutory corporate tax rate. For purposes of calculating the adjusted net income, income tax expense is adjusted accordingly to reflect an effective tax rate assuming conversion of Fifth Third’s non-controlling interests into shares of Class A common stock, including the income tax effect of the non-GAAP adjustments described above. The adjusted global effective tax rate for the three months ended March 31, 2019 is approximately 20.1% and is expected to remain at approximately 20.1% for the remainder of 2019. The adjusted global effective tax rate was 19.7% for the three months ended March 31, 2018.

*Other Tax Adjustments*

In addition to the adjustment described above, income tax expense is also adjusted for the cash tax benefits resulting from certain tax attributes, primarily the amortization of tax intangible assets resulting from or acquired with our acquisitions, the tax basis step up associated with our separation from Fifth Third and the purchase or exchange of units of Worldpay Holding, net of payment obligations under tax receivable agreements (“TRAs”). The estimate of the cash tax benefits is based on the consistent and highly predictable realization of the underlying tax attributes.

The following table provides a schedule of the tax adjustments discussed above which are reflected in the adjusted net income table below (in millions):

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended March 31,** | | | |  |
|  |  | **2019** |  |  | **2018** |  |
| TRA Tax Benefits(1) | | $ | 1.4 |  | $ | 2.2 |
| Acquired Tax Benefits(2) | |  | 23.7 |  |  | 22.4 |
| Adjusted Tax Benefits(3) | | $ | 25.1 |  | $ | 24.6 |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

1. Represents the 15% benefit that we retain for the shared tax benefits related to the TRAs.
2. Represents the tax benefits wholly owned by us, acquired through acquisition or termination of TRAs in which we retain 100% of the benefit.
3. Represents the net cash tax benefit retained by us from the use of the tax attributes, as reflected in the Tax Adjustments.

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The table below provides a reconciliation of GAAP income (loss) before applicable income taxes to the adjusted net income for the three months ended March 31, 2019 and 2018 (in millions):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended March 31,** | | | |  |
|  | **2019** |  |  | **2018** |  |
| Income (loss) before applicable income taxes | $ | 37.7 |  | $ | (111.5) |
| Non-GAAP Adjustments: |  |  |  |  |  |
|  |  |  |  |  |  |
| Transition, acquisition and integration costs |  | 42.4 |  |  | 177.4 |
| Share-based compensation |  | 33.0 |  |  | 17.2 |
|  |  |  |  |  |  |
| Intangible amortization |  | 226.2 |  |  | 172.8 |
| Non-operating (income) expenses |  | (3.5) |  |  | 8.6 |
|  |  |  |  |  |  |
| Non-GAAP adjusted income before applicable taxes |  | 335.8 |  |  | 264.5 |
| Less: Adjustments |  |  |  |  |  |
|  |  |  |  |  |  |
| Adjusted tax expense |  | 42.4 |  |  | 27.5 |
| JV non-controlling interest |  | 0.4 |  |  | 0.3 |
|  |  |  |  |  |  |
| Adjusted Net Income | $ | 293.0 |  | $ | 236.7 |
|  |  |  |  |  |  |

**Results of Operations**

The following tables set forth our statements of income in dollars and as a percentage of revenue for the periods presented (in millions):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended March 31,** | | | |  |  |  |  |  |  |  |
|  |  |  | **2019** |  |  | **2018** |  |  |  |  | **$ Change** | | **% Change** |
|  | Revenue | | $ | 970.0 |  | $ | 850.7 |  |  | $ | 119.3 |  | 14 % |
|  | Sales and marketing | |  | 290.9 |  |  | 266.0 |  |  |  | 24.9 |  | 9 % |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Other operating costs | |  | 181.0 |  |  | 155.1 |  |  |  | 25.9 |  | 17 % |
|  | General and administrative | |  | 127.4 |  |  | 250.1 |  |  |  | (122.7) |  | (49)% |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Depreciation and amortization | |  | 264.4 |  |  | 207.2 |  |  |  | 57.2 |  | 28 % |
|  | Income from operations | | $ | 106.3 |  | $ | (27.7) |  |  | $ | 134.0 |  | 484 % |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **As a Percentage of Revenue** | |  |  |  |  |  |  |  |  | **Three Months Ended March 31,** | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  | **2019** |  | **2018** |
|  | Revenue | |  |  |  |  |  |  |  |  | 100.0% |  | 100.0 % |
|  | Sales and marketing | |  |  |  |  |  |  |  |  | 30.0% |  | 31.3 % |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Other operating costs | |  |  |  |  |  |  |  |  | 18.6% |  | 18.2 % |
|  | General and administrative | |  |  |  |  |  |  |  |  | 13.1% |  | 29.4 % |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Depreciation and amortization | |  |  |  |  |  |  |  |  | 27.3% |  | 24.4 % |
|  | Income from operations | |  |  |  |  |  |  |  |  | 11.0% |  | (3.3)% |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |

***Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018***

The Revenue, Sales and Marketing, Other Operating Costs and General and Administrative disclosures below exclude Legacy Worldpay results prior to the January 16, 2018 acquisition date for the three months ended March 31, 2018.

***Revenue***

Revenue increased 14% to $970.0 million for the three months ended March 31, 2019 from $850.7 million for the three months ended March 31, 2018. The prior year period excludes $63.8 million of Legacy Worldpay generated revenue prior to our acquisition. Additionally, strong growth in our Technology Solutions segment contributed to the increase.

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***Sales and Marketing***

Sales and marketing expense increased 9% to $290.9 million for the three months ended March 31, 2019 from $266.0 million for the three months ended March 31, 2018. The prior year period excludes $12.9 million of Legacy Worldpay sales and marketing expense prior to our acquisition. Higher residual payments to referral partners as a result of increased revenue in both our Technology Solutions and Merchant Solutions segments contributed to the increase.

***Other Operating Costs***

Other operating costs increased 17% to $181.0 million for the three months ended March 31, 2019 from $155.1 million for the three months ended March 31, 2018. The prior year period excludes $12.3 million of Legacy Worldpay other operating costs prior to our acquisition. When excluding transition, acquisition and integration costs, other operating costs increased to $160.5 million for the three months ended March 31, 2019 from $144.9 million for the three months ended March 31, 2018. The prior year period excludes $12.1 million of Legacy Worldpay other operating costs prior to our acquisition when excluding transition, acquisition and integration costs.

***General and Administrative***

General and administrative expenses decreased 49% to $127.4 million for the three months ended March 31, 2019 from $250.1 million for the three

months ended March 31, 2018. The prior year period excludes $66.2 million of Legacy Worldpay general and administrative expense prior to our acquisition.

When excluding transition, acquisition and integration costs, as well as share-based compensation expense, general and administrative expenses increased to

$72.5 million for the three months ended March 31, 2019 from $65.7 million for the three months ended March 31, 2018. The prior year period excludes

$10.0 million of Legacy Worldpay general and administrative expenses prior to our acquisition when excluding transition, acquisition and integration costs as

well as share-based compensation expense. When including the 2018 period prior to our acquisition, the decrease in general and administrative expenses

when excluding transition, acquisition and integration costs as well as share-based compensation expense is primarily attributable to corporate overhead

efficiencies.

***Depreciation and Amortization***

Depreciation expense associated with our property, equipment and software increased to $67.0 million for the three months ended March 31, 2019 from $57.4 million for the three months ended March 31, 2018. The prior year period excludes $4.9 million of Legacy Worldpay depreciation expense prior to our acquisition.

Amortization expense associated with intangible assets, which consist primarily of customer relationship intangible assets, increased to $197.4 million for the three months ended March 31, 2019 from $149.8 million for the three months ended March 31, 2018. The prior year period excludes $2.3 million of Legacy Worldpay amortization expense prior to our acquisition. The increase is primarily attributable to an increase in amortization of customer relationship intangible assets as a result of recent acquisitions.

***Income from Operations***

Income from operations increased to $106.3 million for the three months ended March 31, 2019 from a loss of $27.7 million for the three months ended March 31, 2018.

***Interest Expense—Net***

Interest expense—net decreased to $72.1 million for the three months ended March 31, 2019 from $75.2 million for the three months ended March 31, 2018. The prior year period excludes $2.8 million of Legacy Worldpay interest expense-net prior to our acquisition. The decrease in interest expense-net is primarily related to additional debt paydowns and increased interest income, partially offset by higher interest rates.

***Non-Operating Income (Expense)***

Non-operating income was $3.5 million for the three months ended March 31, 2019, primarily relates to foreign currency gains, partially offset by losses associated with the write-off of deferred financing fees in connection with the early paydown of debt and the change in fair value of the Mercury TRA.

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Non-operating expense was $8.6 million for the three months ended March 31, 2018, primarily relating to our financing arrangements entered into in connection with the Legacy Worldpay acquisition and the change in fair value of the Mercury TRA, partially offset by a gain on the settlement of a deal contingent forward entered into in connection with our acquisition of Legacy Worldpay.

***Income Tax Expense (Benefit)***

Income tax benefits for the three months ended March 31, 2019 and 2018 were $0.4 million and $13.2 million, reflecting global effective rates of (1.1)% and 11.8%, respectively. Our global effective tax rates reflect the impact of our non-controlling interests not being taxed at the statutory U.S. corporate tax rates.

***Segment Results***

The following tables provide a summary of the components of segment profit for our three segments for the three months ended March 31, 2019 and 2018 (in millions):

The disclosures below exclude Legacy Worldpay results prior to the January 16, 2018 acquisition date for the three months ended March 31, 2018.

**Technology Solutions**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended March 31,** | | | |  |  |  |  |  |  |
|  | **2019** |  |  | **2018** |  |  |  | **$ Change** | | **% Change** |
| Revenue | $ | 427.3 |  | $ | 336.4 |  | $ | 90.9 |  | 27% |
| Sales and marketing |  | 118.4 |  |  | 95.9 |  |  | 22.5 |  | 23% |
|  |  |  |  |  |  |  |  |  |  |  |
| Segment profit | $ | 308.9 |  | $ | 240.5 |  | $ | 68.4 |  | 28% |
|  |  |  |  |  |  |  |  |  |  |  |

*Revenue*

Revenue in this segment increased 27% to 427.3 million for the three months ended March 31, 2019 from $336.4 million for the three months ended March 31, 2018. The prior year period excludes $29.7 million of Legacy Worldpay generated revenue prior to our acquisition. Strong transactional growth contributed to the increase in revenue.

*Sales and Marketing*

Sales and marketing expense increased 23% to $118.4 million for the three months ended March 31, 2019 from $95.9 million for the three months ended March 31, 2018. The prior year period excludes $3.2 million of Legacy Worldpay sales and marketing expense prior to our acquisition. Higher residual payments to referral partners as a result of increased revenue contributed to the increase.

**Merchant Solutions**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended March 31,** | | | |  |  |  |  |  |  |
|  | **2019** |  |  | **2018** |  |  |  | **$ Change** | | **% Change** |
| Revenue | $ | 459.4 |  | $ | 432.2 |  | $ | 27.2 |  | 6% |
| Sales and marketing |  | 166.0 |  |  | 163.8 |  |  | 2.2 |  | 1% |
|  |  |  |  |  |  |  |  |  |  |  |
| Segment profit | $ | 293.4 |  | $ | 268.4 |  | $ | 25.0 |  | 9% |
|  |  |  |  |  |  |  |  |  |  |  |

*Revenue*

Revenue in this segment increased 6% to $459.4 million for the three months ended March 31, 2019 from $432.2 million for the three months ended March 31, 2018. The prior year period excludes $33.9 million of Legacy Worldpay generated revenue prior to our acquisition. When including the 2018 period prior to our acquisition, the decrease in revenue is primarily attributable to unfavorable foreign currency.

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*Sales and Marketing*

Sales and marketing expense increased 1% to $166.0 million for the three months ended March 31, 2019 from $163.8 million for the three months ended March 31, 2018. The prior year period excludes $9.7 million of Legacy Worldpay sales and marketing expense prior to our acquisition. When including the 2018 period prior to our acquisition, the decrease in sales and marketing expense is primarily attributable to sales efficiencies, partially offset by higher residual payments to referral partners.

**Issuer Solutions**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended March 31,** | | | |  |  |  |  |  |  |
|  | **2019** |  |  | **2018** |  |  |  | **$ Change** | | **% Change** |
| Revenue | $ | 83.3 |  | $ | 82.1 |  | $ | 1.2 |  | 1% |
| Sales and marketing |  | 6.5 |  |  | 6.3 |  |  | 0.2 |  | 3% |
|  |  |  |  |  |  |  |  |  |  |  |
| Segment profit | $ | 76.8 |  | $ | 75.8 |  | $ | 1.0 |  | 1% |
|  |  |  |  |  |  |  |  |  |  |  |

*Revenue*

Revenue in this segment increased 1% to $83.3 million for the three months ended March 31, 2019 from $82.1 million for the three months ended March 31, 2018.

*Sales and Marketing*

Sales and marketing expense increased 3% to $6.5 million for the three months ended March 31, 2019 from $6.3 million for the three months ended March 31, 2018.

**Liquidity and Capital Resources**

Our liquidity is funded primarily through cash provided by operations, debt and a line of credit, which is generally sufficient to fund our operations, planned capital expenditures, tax distributions made to our non-controlling interest holders, required payments under our TRA agreements, debt service and acquisitions. As of March 31, 2019, our principal sources of liquidity consisted of $107.9 million of cash and cash equivalents and $1.0 billion of availability under the revolving portion of our senior secured credit facilities. Our total indebtedness, including finance leases, was $7.5 billion as of March 31, 2019.

We do not intend to pay cash dividends on our Class A common stock in the foreseeable future. Worldpay, Inc. is a holding company that does not conduct any business operations of its own. As a result, Worldpay, Inc.’s ability to pay cash dividends on its common stock, if any, is dependent upon cash dividends and distributions and other transfers from Worldpay Holding. The amounts available to Worldpay, Inc. to pay cash dividends are subject to the covenants and distribution restrictions in its subsidiaries’ loan agreements.

In addition to principal needs for liquidity discussed above, our strategy includes investing in and leveraging our integrated business model and technology platform, broadening and deepening our distribution channels, entry into new geographic markets and development of additional payment processing services. Our near-term priorities for capital allocation include debt reduction, investing in our operations to support organic growth, and share repurchases. Long-term priorities remain unchanged and include investing for growth through strategic acquisitions and returning excess capital to shareholders.

We anticipate that to the extent that we require additional liquidity, it will be funded through the incurrence of other indebtedness, equity financings or a combination thereof. We cannot assure you that we will be able to obtain this additional liquidity on reasonable terms, or at all. Additionally, our liquidity and our ability to meet our obligations and fund our capital requirements are also dependent on our future financial performance, which is subject to general economic, financial and other factors that are beyond our control. Accordingly, we cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available under our credit facilities or otherwise to meet our liquidity needs. If we decide to pursue one or more significant acquisitions, we may incur additional debt or sell additional equity to finance such acquisitions.

However, as a result of the Merger Agreement with FIS, we are precluded from paying dividends, share repurchases, debt issuances and equity financings.

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***Cash Flows***

The following table presents a summary of cash flows from operating, investing and financing activities for the three months ended March 31, 2019 and 2018 (in millions).

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Three Months Ended March 31,** | | | |  |
|  | **2019** |  |  | **2018** |  |
| Net cash provided by operating activities | $ | 166.2 |  | $ | 84.1 |
| Net cash (used in) provided by investing activities |  | (88.0) |  |  | 1,406.1 |
|  |  |  |  |  |  |
| Net cash (used in) provided by financing activities |  | (422.6) |  |  | 75.9 |
|  |  |  |  |  |  |

*Cash Flow from Operating Activities*

Net cash provided by operating activities was $166.2 million for the three months ended March 31, 2019 as compared to $84.1 million for the three months ended March 31, 2018. The increase reflects net income compared to a net loss in the prior period and an adjustment to add back increased depreciation and amortization expense, partially offset by increased net cash outflow due to changes in working capital.

*Cash Flow from Investing Activities*

Net cash used in investing activities was $88.0 million for the three months ended March 31, 2019 as compared to $1,406.1 million of cash provided by investing activities for the three months ended March 31, 2018. The prior period includes cash acquired relating to the acquisition of Legacy Worldpay in January 2018.

*Cash Flow from Financing Activities*

Net cash used in financing activities was $422.6 million for the three months ended March 31, 2019 as compared to net cash provided by financing activities of $75.9 million for the three months ended March 31, 2018. Cash used in financing activities during the three months ended March 31, 2019 consisted primarily of the repayment of debt and finance leases, payments relating to tax receivable agreements, partially offset by incremental borrowings. Cash provided by financing activities for the three months ended March 31, 2018 consisted primarily of proceeds from issuance of additional debt, partially offset by the repayment of debt and finance leases, settlement and payments under tax receivable agreements and addendums and distributions to non-controlling interests.

***Credit Facilities***

At March 31, 2019, we have $7.5 billion of outstanding debt, which includes $246 million of outstanding borrowings under our revolving credit facility. See additional discussion in Note 6 - Long-Term Debt in “Item 1 - Notes to Unaudited Consolidated Financial Statements.”

We are required to maintain a leverage ratio no greater than established thresholds (based upon the ratio of total funded debt to consolidated EBITDA, as defined in the loan agreement) and a minimum interest coverage ratio (based upon the ratio of consolidated EBITDA to interest expense), which are tested quarterly based on the last four fiscal quarters. The required financial ratios become more restrictive over time, with the specific ratios required by period set forth in the table below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **Leverage** | | **Interest Coverage** |  |
| **Period** |  | **Ratio** | | **Ratio** |  |
| **(must not exceed)** |  | **(must exceed)** |  |
| December 31, 2018 to September 30, 2019 | | 5.75 to 1.00 | | 4.00 to 1.00 |  |
| December 31, 2019 to September 30, 2020 | | 5.00 to 1.00 | | 4.00 to 1.00 |  |
|  |  |  |  |  |  |
| December 31, 2020 and thereafter | | 4.25 to 1.00 | | 4.00 to 1.00 |  |
|  |  |  |  |  |  |

As of March 31, 2019, we were in compliance with these covenants with a leverage ratio of 3.77 to 1.00 and an interest coverage ratio of 6.69 to

1.00.

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***Interest Rate Swaps, Caps and Net Investment Hedges***

As of March 31, 2019, we have interest rate swap and interest rate cap agreements that were designated as cash flow hedges of interest rate risk. The currently effective interest rate swaps and caps hedge $2.2 billion of our approximately $5.6 billion of variable rate debt outstanding as of March 31, 2019. The Company also has designated a portion of its Euro denominated debt and 100% of its GBP denominated debt as net investment hedges. See Note 7 - Derivatives and Hedging Activities in “Item 1 - Notes to Unaudited Consolidated Financial Statements” for more information about the interest rate swaps, caps and net investment hedges.

***Tax Receivable Agreements***

As of March 31, 2019, we are party to several TRAs in which we have agreed to make payments to various parties of 85% of the federal, state, local and foreign income tax benefits realized by us as a result of certain tax deductions.

As discussed in Note 1 - Basis of Presentation and Summary of Significant Accounting Policies in Item 1 - Notes to Unaudited Consolidated Financial Statements,” Fifth Third exchanged its remaining 10.3 million Class B units of Worldpay Holding for shares of Worldpay, Inc. Class A common stock in March 2019.

As a result of the March 2019 Fifth Third exchange of units of Worldpay Holding, we recorded an estimated additional liability under the Fifth Third TRA of $327.9 million and an estimated additional deferred tax asset of $502.8 million associated with the increase in the tax basis. We recorded an estimated corresponding increase to paid-in-capital of $174.9 million for the difference in the TRA liability and the related deferred tax asset.

For more information on the TRAs, see Note 8 - Tax Receivable Agreements in the Notes to Consolidated Financial Statements of the Company’s 2018 Form 10-K filed on February 26, 2019.

**Contractual Obligations**

There have been no significant changes to contractual obligations and commitments compared to those disclosed in our Annual Report on Form 10-K as of December 31, 2018 filed with the SEC on February 26, 2019.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our audited consolidated financial statements in our 2018 Form 10-K, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our critical estimates giving consideration to a combination of factors, including historical experience, current conditions and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Except for the adoption of Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842) and ASU 2017-12, *Derivatives and Hedging* (Topic

1. on January 1, 2019 as discussed in Note 3 - Leases and Note 7 - Derivatives and Hedging Activities in “Item 1 - Notes to Unaudited Consolidated Financial Statements,” we have not adopted any new critical accounting policies, have not changed any critical accounting policies and have not changed the application of any critical accounting policies from the year ended December 31, 2018. Our critical accounting policies and estimates are described fully within Management’s Discussion and Analysis of Financial Condition and Results of Operations included within our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2019.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

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**Item 3. Quantitative and Qualitative Disclosure about Market Risk**

***Interest Rate Risk***

We are exposed to interest rate risk in connection with our senior secured credit facilities, which are subject to variable interest rates. As discussed in Note 7 - Derivatives and Hedging Activities in “Item 1 - Notes to Unaudited Consolidated Financial Statements,” we hedge a portion of our exposure to interest rate fluctuations through the utilization of interest rate swaps and caps in order to mitigate the risk of this exposure.

Based on the amount outstanding under our senior secured credit facilities at March 31, 2019, a one percentage point change in variable interest rates, after the effect of our interest rate swaps and caps effective at March 31, 2019, would cause an increase or decrease in interest expense of $36.2 million on an annual basis.

***Foreign Currency Risk***

We are subject to foreign currency risk as a result of our investments in foreign entities and revenues and expenses generated in currencies other than the U.S. dollar. As discussed in Note 7 - Derivatives and Hedging Activities in “Item 1 - Notes to Unaudited Consolidated Financial Statements,” we currently have net investment hedges in place to mitigate foreign currency risk. For the three months ended March 31, 2019 and 2018, currency rate fluctuations calculated by converting revenues and expenses for the three months ended March 31, 2019 and 2018 in local currency, using the December 31, 2018 and January 16, 2018 Legacy Worldpay acquisition date as the prior period rates, had an immaterial effect on our revenues and operating income.

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**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2019. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives. Based on the evaluation of our disclosure controls and procedures as of March 31, 2019, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

**Changes in Internal Control over Financial Reporting**

As a result of the closing of the Legacy Worldpay acquisition, we have incorporated internal controls over significant processes specific to the acquisition that we believe are appropriate and necessary in consideration of the level of related integration. As the post-closing integration continues, we will continue to review the internal controls and processes of Legacy Worldpay and may take further steps to integrate such controls and processes with those of the Company. Except as noted above, there were no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings**

From time to time, we are involved in various litigation matters arising in the ordinary course of our business. While it is impossible to ascertain the ultimate resolution or range of financial liability with respect to these contingent matters, management believes none of these matters, either individually or in the aggregate, would have a material adverse effect on us.

**Item 1A. Risk Factors**

You should carefully consider the risks described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018. [Additionally, the information set forth under the section entitled “Risk Factors” in FIS’s Form S-4 filed with the SEC on April 15, 2019 (the “FIS S-4”) is](http://www.sec.gov/Archives/edgar/data/1136893/000119312519105385/d719237ds4.htm) [incorporated by reference. These risks could materially affect our business, results of operations or financial condition, cause the trading price of our](http://www.sec.gov/Archives/edgar/data/1136893/000119312519105385/d719237ds4.htm) common stock to decline materially or cause our actual results to differ materially from those expected or those expressed in any forward looking statements made by or on behalf of Worldpay. These risks are not exclusive, and additional risks to which we are subject include, but are not limited to, the risks of our businesses described elsewhere in this Quarterly Report on Form 10-Q. There have been no material changes from the risk factors disclosed in (i) Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018 and (ii) the section entitled “Risk Factors” in the FIS S-4.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table sets forth information regarding shares of Class A common stock repurchased by us during the three months ended March 31,

2019:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  | **Total Shares** |  |  |  |  |  |
|  |  |  |  |  |  |  |  | **Purchased as** |  |  | **Approximate Dollar Value** | |  |
|  |  |  | **Total Number** | |  | **Average Price** | | **Part of Publicly** |  |  |  |
|  |  |  |  | **Announced** |  |  | **of Shares that May Yet Be** | |  |
| **Period** | |  | **of Shares** | |  | **Paid per** | | **Plans or** |  |  | **Purchased Under the Plans** | |  |
| **Purchased (1)(2)** |  |  | **Share** |  | **Programs (2)** |  |  | **or Programs (in millions) (2)** | |  |
| January 1, 2019 to January 31, 2019 | | | 421 |  | $ | 81.54 |  |  | — | | $ | 93.2 |  |
| February 1, 2019 to February 28, 2019 | | | 155,523 |  | $ | 88.08 |  |  |  |  | $ | 593.2 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| March 1, 2019 to March 31, 2019 | | | 62,195 |  | $ | 107.38 |  |  | — | | $ | 593.2 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. Includes shares of Class A common stock surrendered to us to satisfy tax withholding obligations in connection with the vesting of restricted stock awards.
2. In February 2019, our board of directors authorized a program to repurchase up to $500 million of our Class A common stock. Purchases under the repurchase program are allowed from time to time in the open market, in privately negotiated transactions, or otherwise. The manner, timing, and amount of any purchases are determined by management based on an evaluation of market conditions, stock price, and other factors. The share repurchase program has no expiration date and we may discontinue purchases at any time that management determines additional purchases are not warranted. However, per the FIS Merger Agreement, we are precluded from share repurchases.

**Item 5. Other Information**

None.

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**Item 6. Exhibits**

See the Exhibit Index of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

**EXHIBIT INDEX**

**Exhibit**

**Number**

2.1

10.1

10.2

31.1

31.2

32

101.INS

101.SCH

101.CAL

101.DEF

101.LAB

101.PRE

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **Incorporated by Reference** | |  |
|  |  |  |  |  |  |
| **Exhibit Description** | | **Form** | **File No.** | **Exhibit** | **Filing Date** |
| [Agreement and Plan of Merger, dated as of March 17, 2019, by and among](http://www.sec.gov/Archives/edgar/data/1533932/000119312519078417/d722540dex21.htm) | | 8-K | 001-35462 | 2.1 | March 18, 2019 |
|  |  |  |  |  |  |

[Fidelity National Information Services, Inc., Wrangler Merger Sub, Inc. and](http://www.sec.gov/Archives/edgar/data/1533932/000119312519078417/d722540dex21.htm)

[Worldpay, Inc.](http://www.sec.gov/Archives/edgar/data/1533932/000119312519078417/d722540dex21.htm)

[Worldpay, Inc. Executive Severance Plan as amended and restated effective as of](#page50)

[March 17, 2019.](#page50)

[Form of Amendment to Performance Share Unit Acquisition Award Notice and](#page63)

[Performance Share Unit Acquisition Award Agreement for U.S. and U.K.](#page63)

[Employees under the Worldpay, Inc. 2012 Equity Incentive Plan.](#page63)

[Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-](#page65)

[14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley](#page65)

[Act of 2002.](#page65)

[Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-](#page66)

[14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley](#page66)

[Act of 2002.](#page66)

[Certifications of Chief Executive Officer and Chief Financial Officer pursuant to](#page67)

[18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-](#page67)

[Oxley Act of 2002.](#page67)

*The instance document does not appear in the interactive data file because its*

*XBRL tags are embedded within the Inline XBRL document.*

*XBRL Taxonomy Extension Schema Document*

*XBRL Taxonomy Extension Calculation Linkbase Document*

*XBRL Taxonomy Extension Definition Linkbase Document*

*XBRL Taxonomy Extension Label Linkbase Document*

*XBRL Taxonomy Extension Presentation Linkbase Document*

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **WORLDPAY, INC.** | | |  |
| Dated: | May 3, 2019 | By: |  | /s/ CHARLES D. DRUCKER |  |
|  |  |  |  |  |  |
|  |  |  |  | Name: Charles D. Drucker |  |
|  |  |  |  | Title: Executive Chairman and Chief Executive Officer |  |
| Dated: | May 3, 2019 | By: |  | /s/ STEPHANIE L. FERRIS |  |
|  |  |  |  |  |  |
|  |  |  |  | Name: Stephanie L. Ferris |  |
|  |  |  |  | Title: Chief Financial Officer |  |
| Dated: | May 3, 2019 | By: |  | /s/ CHRISTOPHER THOMPSON |  |
|  |  |  |  |  |  |
|  |  |  |  | Name: Christopher Thompson |  |
|  |  |  |  | Title: SVP, Controller and Chief Accounting Officer |  |
|  |  |  | 49 | |  |
|  |  |  |  |  |  |

**EXHIBIT 10.1**

**WORLDPAY, INC.**

**EXECUTIVE SEVERANCE PLAN**

1. **Purpose.** The purpose of the Worldpay, Inc. Executive Severance Plan (formerly the Vantiv, LLC ExecutiveSeverance Plan) is to provide reasonable severance protection to certain executive officers and other key employees of the Company and its Affiliates who are expected to make substantial contributions to the success of the Company and its Affiliates and thereby provide for stability and continuity of management.
2. **Term.** The Plan was originally adopted on March 21, 2012 and previously amended and restated as of November 8,2015. The Plan is hereby amended and restated as of March 17, 2019 and shall continue until terminated in accordance with Section 24.
3. **Definitions.** For purposes of the Plan, the following terms have the meanings set forth below:

“Accrued Benefits” means (i) the portion of the Participant’s Base Salary earned through the date of the Qualifying Termination, to the extent not yet paid; (ii) the amount of any annual incentive compensation under the annual incentive plan applicable to the Participant that has been earned by or awarded to the Participant for a completed fiscal year preceding the date of the Qualifying Termination, but has not yet been paid to the Participant; and (iii) any paid time-off accrued during the year of termination through the date of the Qualifying Termination, to the extent not used or theretofore paid (and except as otherwise required by law).

“Affiliate” means (i) Worldpay Holding, LLC; (ii) any entity that, directly or indirectly, is controlled by the Company; and (iii) any entity in which the Company or any of the foregoing has a significant equity interest, in each case as determined by the Board or the Committee.

“Base Salary” means the Participant’s annual base salary as in effect immediately prior to the Participant’s termination, without regard to any reduction that would constitute Good Reason.

“Beneficial Owner” has the meaning ascribed to such term in Rule 13d-3 under the Securities Exchange Act of 1934 (the “Exchange Act”).

“Board” means the board of directors of Worldpay, Inc.

“Business” means (i) merchant processing services (including payment authorization, clearing and settlement for credit, debit, check authorization and truncation); (ii) gift, private label, stored value and prepaid card processing; (iii) electronic funds transfer services to business customers (including debit and ATM card processing and driving services), PIN and signature debit transaction authorization, settlement and exception processing; (iv) payment and ATM network switching services (including the Jeanie network); (v) credit and debit card production, activation, replacement and related management services (including on an outsourced basis); (vi) certain payments-related reselling services; (vii) other value added services (including fraud detection, prevention and management services) relating to the foregoing; (viii) promotional messaging services relating to the foregoing; (ix) debit portfolio management services related to the foregoing; and (x) certain data processing services.

“Cause” means any one or more of the following, in each case as determined in good faith

by the Board or the Committee, (i) gross negligence or willful misconduct of a material nature in connection with the performance of the Participant’s duties, which actions, if capable of being cured, are not cured within fifteen (15) days after written notice thereof from the Board, (ii) an indictment or conviction for (or pleading guilty or nolo contendere to) a felony, (iii) a non-de minimus intentional act of fraud, dishonesty or misappropriation (or attempted misappropriation) of the Company’s or any of its Affiliates’ funds or property; (iv) the Company or any of its Affiliates having been ordered or directed by any federal or state regulatory agency with jurisdiction to terminate or suspend the Participant’s employment and such order or directive has not been vacated or reversed upon appeal; (v) a violation of Section 9 hereof or any similar agreement between the Participant and the Company, and the Board shall have determined that such act is harmful to the Company or its Affiliates; (vi) the Participant’s breach of any of material obligations in his or her employment agreement or offer letter, which breach, if capable of being cured, is not cured within fifteen (15) days after written notice thereof; (vii) the Participant’s breach of his fiduciary duties as an officer or director of the Company or any of its Affiliates, which breach, if capable of being cured, is not cured within fifteen (15) days after written notice thereof; or (viii) the Participant’s continued failure or refusal after written notice from the Board (or, in the case of any Participant other than the chief executive officer, written notice from the chief executive officer) to implement or follow the direction of the Board (or the chief executive officer, as applicable); provided that during the Change of Control Protection Period, determinations regarding the existence of Cause shall be subject to the provisions of Section 23.

“Change of Control” means any one of the following:

1. any Person (other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company, or any company owned, directly or indirectly, by the shareholders of the Company immediately prior to the occurrence with respect to which the evaluation is being made in substantially the same proportions as their ownership of the common stock of the Company) becomes the Beneficial Owner (except that a Person shall be deemed to be the Beneficial Owner of all shares that any such Person has the right to acquire pursuant to any agreement or arrangement or upon exercise of conversion rights, warrants or options or otherwise, without regard to the sixty (60) day period referred to in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company, representing 25% or more of the combined voting power of such entity’s then outstanding securities;
2. during any twelve-month period, a majority of the members of the Board is replaced by individuals who were not members of the Board at the beginning of such twelve-month period and whose election by the Board or nomination for election by the Company’s shareholders was not approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of such twelve-month period or whose election or nomination for election was previously so approved;
3. the consummation of a merger or consolidation of the Company with any other entity, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or resulting entity) 50% or more of the combined voting power of the surviving or resulting entity outstanding immediately after such merger or consolidation; or
4. the consummation of a sale or disposition of all or substantially all of the assets of the Company (other than such a sale or disposition immediately after which such assets will be owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of the voting securities of such entity immediately prior to such sale or disposition).

“Change of Control Protection Period” means the twenty-four (24) month period beginning on the date of the Change of Control.

“Code” means the Internal Revenue Code of 1986, as amended.

“Committee” means the Compensation Committee of the Board.

“Company” means Worldpay, Inc. and any successor to its business or assets, by operation of law or otherwise.

“Confidential Information” shall mean information or material of the Company or any of its Affiliates which is not generally available to or used by others, or the utility or value of which is not generally known or recognized as standard practice, whether or not the underlying details are in the public domain, including: (i) information or material relating to the Company and its business as conducted or anticipated to be conducted; business plans; operations; past, current or anticipated services, products or software; customers or prospective customers; relations with business partners or prospective business partners; or research, engineering, development, manufacturing, purchasing, accounting, or marketing activities; (ii) information or material relating to the Company’s inventions, improvements, discoveries, “know-how,” technological developments, or unpublished writings or other works of authorship, or to the materials, apparatus, processes, formulae, plans or methods used in the development, manufacture or marketing of the Company’s services, products or software; (iii) information on or material relating to the Company which when received is marked as “proprietary,” “private,” or “confidential”; (iv) trade secrets of the Company; (v) software of the Company in various stages of development, software designs, web-based solutions, specifications, programming aids, programming languages, interfaces, visual displays, technical documentation, user manuals, data files and databases of the Company; and (vi) any similar information of the type described above which the Company obtained from another party and which the Company treats as or designates as being proprietary, private or confidential, whether or not owned or developed by the Company. Notwithstanding the foregoing, Confidential Information does not include any information which is properly published or in the public domain; provided, however, that information which is published by or with the aid of the Participant outside the scope of employment or contrary to the requirements of the Plan will not be considered to have been properly published, and therefore will not be in the public domain for purposes of the Plan.

“Employee” means an employee of the Company or any of its Affiliates.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Good Reason” means any one or more of the following (i) a material diminution in the nature and scope of the Participant’s responsibilities, duties or authority (any diminution of the business of the Company shall not constitute Good Reason);

1. a material diminution by the Company in the Participant’s current base salary and/or the Participant’s annual bonus potential (other than as part of an across-the-board reduction that occurs prior to a Change of Control and which results in a proportional reduction to the Participant substantially equivalent to that of other senior executives that are designated at the same level of participation as the Participant hereunder); (iii) a removal from, or failure to continue in, the Participant’s current position, unless the Participant is offered another executive position that is no less favorable than the Participant’s current position in terms of compensation (compensation for these purposes meaning Base Salary and participation in annual bonus and long-term incentive programs); (iv) any requirement by the Company or its Affiliates that the Participant take any action or omit to take any action, which if taken or omitted to be taken would require the Participant to resign in order to comply with applicable law; or (v) an actual relocation of the Participant’s principal office to another location more than fifty (50) miles from the Participant’s current office location and such office relocation results in an increase in the Participant’s length of commute; provided that no finding of Good Reason shall be effective unless and until the Participant has provided the Company, within sixty (60) calendar days of the date when the Participant became aware, or

should have become aware, of the facts and circumstances underlying the finding of Good Reason, with written notice thereof stating with specificity all of the facts and circumstances underlying the finding of Good Reason and that the Participant intends to terminate his or her employment for Good Reason no later than the sixtieth (60th) day following the delivery of such notice to the Company and, if the basis for such finding of Good Reason is capable of being cured by the Company, providing the Company with an opportunity to cure the same within thirty (30) calendar days after receipt of such notice. If the Company does not cure the same within such thirty (30) calendar day cure period, no finding of Good Reason shall be effective unless the Participant terminates employment within thirty (30) calendar days of the expiration of such cure period.

“Participant” means any Employee who is designated as a Participant hereof at one of the following levels and in accordance with Section 4:

“CEO Participant” means the Chief Executive Officer of Worldpay, Inc.

“Executive Officer Participant” means an executive officer of Worldpay, Inc. or the Company, other than the Chief Executive Officer of Worldpay, Inc., who has been designated by the Board or the Plan Administrator (defined below) to participate in the Plan as an Executive Officer Participant.

“Senior Officer Participant” means an Employee who has been designated by the Board or the Plan Administrator to participate in the Plan as a Senior Officer Participant.

“Person” has the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including “group” as defined in Section 13(d) thereof.

“Plan” means the Worldpay, Inc. Executive Severance Plan, as set forth in this document, and as hereafter amended from time to time.

“Plan Administrator” means the Board or any duly constituted committee of members of the Board, or any person to whom the Board or such duly constituted committee has delegated any authority or responsibility pursuant to Section 7, but only to the extent of such delegation. Until and unless the Board determines otherwise, the Committee shall be the Plan Administrator, and may further delegate any authority or responsibility pursuant to Section 7.

“Qualifying Termination” means the Participant’s termination of service by the Company without Cause or by the CEO Participant for Good Reason, and, if the termination occurs during a Change of Control Protection Period, by any Participant for Good Reason.

“Release” means the waiver and release of claims described in Section 8 and required of the Participant prior to receipt of certain payments under the Plan in Section 5 herein, substantially in the form attached hereto as Exhibit A (for US Participants) or Exhibit B (for UK Participants).

“Restricted Period” means the period of the Participant’s employment by the Company or its Affiliates and one (1) year following termination of such employment for any reason.

1. **Eligibility.** The Plan applies to any Employee who has been designated as a Participant by the Board or the PlanAdministrator and who has received written notice from the Company of his or her status as a Participant, which status has not been revoked pursuant to Section 24.
2. **Severance Pay.** Subject to the eligibility requirements of the Plan and compliance with all other applicable provisionsof the Plan, including, without limitation, the Release and the Restrictive

Covenants in Section 9, in the event of a Qualifying Termination with respect to a Participant, such Participant will be entitled to receive severance pay and benefits in accordance with the terms as set forth below. For the avoidance of doubt, Participants will not be eligible for any pay or benefits under this Plan if the termination is not a Qualifying Termination. The amount due pursuant to this Section 5, if any, will be reduced by any payments received from the Company during the period of time after the date of the Qualifying Termination and the commencement of severance pay under the Plan. Any obligation of the Company to provide severance pay and/or other benefits pursuant to the Plan shall immediately terminate if the Participant materially breaches any obligation under his or her Release or the Restrictive Covenants.

**Cash Severance - Qualifying Termination during Change of Control Protection Period**: If a QualifyingTermination occurs during a Change of Control Protection Period, the Participant shall receive cash severance at such Participant’s designated level of participation, as follows:

CEO Participant: The Participant shall be entitled to a severance payment, payable in a lump sum within sixty (60) days of the date of the Qualifying Termination, equal to two times (2x) the following: the sum of the Participant’s Base Salary plus the Participant’s target annual incentive compensation plan bonus for the fiscal year in which the Qualifying Termination occurs (determined without regard to any reduction in such target following a Change of Control), without proration, under the Company’s annual incentive compensation plan applicable to the Participant. The Participant shall also be entitled to payment of the target annual incentive compensation plan bonus that would have been earned and payable under the annual incentive compensation plan applicable to the Participant for the fiscal year in which the Qualifying Termination occurs (also determined without regard to any reduction in such target following a Change of Control) if the Participant had remained employed for the full fiscal year, but prorated to reflect the number of full months the Participant worked in the fiscal year of termination

Executive Officer Participant: A Participant shall be entitled to a severance payment, payable in a lump sum

within sixty (60) days of the date of the Qualifying Termination, equal to two times (2x) the following: the sum of the Participant’s Base Salary plus the Participant’s target annual incentive compensation plan bonus for the fiscal year in which the Qualifying Termination occurs (determined without regard to any reduction in such target following a Change of Control), without proration, under the Company’s annual incentive compensation plan applicable to the Participant. The Participant shall also be entitled to payment of the target annual incentive compensation plan bonus that would have been earned and payable under the annual incentive compensation plan applicable to the Participant for the fiscal year in which the Qualifying Termination occurs (also determined without regard to any reduction in such target following a Change of Control) if the Participant had remained employed for the full fiscal year, but prorated to reflect the number of full months the Participant worked in the fiscal year of termination

Senior Officer Participant: A Participant shall be entitled to a severance payment, payable in a lump sum within sixty (60) days of the date of the Qualifying Termination, equal to one times (1x) the following: the sum of the Participant’s Base Salary plus the Participant’s target annual incentive compensation plan bonus for the fiscal year in which the Qualifying Termination occurs (determined without regard to any reduction in such target following a Change of Control), without proration, under the Company’s annual incentive compensation plan applicable to the Participant. The Participant shall also be entitled to payment of the target annual incentive compensation plan bonus that would have been earned and payable under the annual incentive compensation plan applicable to the Participant for the fiscal year

in which the Qualifying Termination occurs (also determined without regard to any reduction in such target following a Change of Control) if the Participant had remained employed for the full fiscal year, but prorated to reflect the number of full months the Participant worked in the fiscal year of termination

**Cash Severance - Qualifying Termination outside of Change of Control Protection Period**: If a QualifyingTermination occurs outside of a Change of Control Protection Period, the Participant shall receive cash severance at such Participant’s designated level of participation, as follows:

CEO Participant: The Participant shall be entitled to (i) continuation of the Participant’s Base Salary, commencing within sixty (60) days of the date of the Qualifying Termination and continuing in accordance with the Company’s normal payroll schedule, until the Participant has received one and one-half times (1.5x) the Participant’s Base Salary, (ii) a lump sum payment, payable within sixty (60) days of the date of the Qualifying Termination, equal to one and one-half times (1.5x) the Participant’s target annual incentive compensation plan bonus established for the fiscal year in which the Qualifying Termination occurs and (iii) the Participant’s annual incentive compensation plan bonus that would have been earned and payable under the annual incentive compensation plan applicable to the Participant based on actual performance for the fiscal year in which the Qualifying Termination occurs if the Participant had remained employed for the full fiscal year, but prorated to reflect the number of full months the Participant worked in the fiscal year of termination, payable in the fiscal year following termination at the same time and according to the same terms as bonuses are paid to active Employees; provided, however, that such bonus will not be subject to reduction as a result of the exercise of any discretion provided in the applicable plan related to individual performance goals based upon subjective or discretionary determinations, and the Company will not otherwise use any discretion provided in such plan to reduce such bonus except for determinations with respect to factors related to the Company and its businesses that are applied to all Employees receiving similar incentive opportunities.

Executive Officer Participant: A Participant shall be entitled to (i) a severance payment, payable in a lump sum within sixty (60) days of the date of the Qualifying Termination, equal to one times (1x) the following: the sum of the Participant’s Base Salary plus the Participant’s target annual incentive compensation plan bonus established for the fiscal year in which the Qualifying Termination occurs. The Participant shall also be entitled to the annual incentive compensation plan bonus that would have been earned and payable under the annual incentive compensation plan applicable to the Participant based on actual performance for the fiscal year in which the Qualifying Termination occurs if the Participant had remained employed for the full fiscal year, but prorated to reflect the number of full months the Participant worked in the fiscal year of termination, payable in the fiscal year following termination at the same time and according to the same terms as bonuses are paid to active Employees; provided, however, that such bonus will not be subject to reduction as a result of the exercise of any discretion provided in the applicable plan related to individual performance goals based upon subjective or discretionary determinations, and the Company will not otherwise use any discretion provided in such plan to reduce such bonus except for determinations with respect to factors related to the Company and its businesses that are applied to all Employees receiving similar incentive opportunities.

Senior Officer Participant: A Participant shall be entitled to a severance payment, payable in a lump sum within sixty (60) days of the date of the Qualifying Termination, equal to one-

half times (.5x) the following: the sum of the Participant’s Base Salary plus the Participant’s target annual incentive compensation plan bonus established for the fiscal year in which the Qualifying Termination occurs. The Participant shall also be entitled to the annual incentive compensation plan bonus that would have been earned and payable under the annual incentive compensation plan applicable to the Participant based on actual performance for the fiscal year in which the Qualifying Termination occurs if the Participant had remained employed for the full fiscal year, but prorated to reflect the number of full months the Participant worked in the fiscal year of termination, payable in the fiscal year following termination at the same time and according to the same terms as bonuses are paid to active Employees; provided, however, that such bonus will not be subject to reduction as a result of the exercise of any discretion provided in the applicable plan related to individual performance goals based upon subjective or discretionary determinations, and the Company will not otherwise use any discretion provided in such plan to reduce such bonus except for determinations with respect to factors related to the Company and its businesses that are applied to all Employees receiving similar incentive opportunities.

**Other Benefits - Any Qualifying Termination**: In the event of any Qualifying Termination, the Participant shallalso be entitled to the following benefits:

CEO Participant: The Company will pay the premium cost, at the same rate that it contributes to the premium cost for active executives and dependents, of coverage of the Participant and dependents under the Company’s medical and dental plans until the earlier of (i) twenty-four (24) months after termination (or such shorter period as permitted if twenty-four (24) months is not permitted by law or the plans) and (ii) commencement of employment that offers the Participant eligibility for medical and dental plans. This period of continued benefits shall run concurrently with (and shall count against) the Company’s obligation to provide continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1986 (“COBRA”).

Executive Officer Participants and Senior Officer Participants: Participants and family are entitled continued group coverage under COBRA under the Company’s medical and dental plans in which the Participant participated prior to the termination.

All Participants: In addition to the above benefits, all Participants are entitled to the Accrued Benefits.

1. **Impact of Section 4999 Excise Tax: Maximum After-Tax Benefit Following a Change of Control.**
   1. In the event that part or all of the consideration, compensation or benefits to be paid to a Participant under this Agreement or any other plan, arrangement and agreement applicable to such Participant, constitute “excess parachute payments” under Section 280G(b) of the Code subject to an excise tax under Section 4999 of the Code (collectively, the “Parachute Amount”) the amount of excess parachute payments which would otherwise be payable to such Participant or for such Participant’s benefit under the Plan shall be reduced to the extent necessary so that no amount of the Parachute Amount is subject to an excise tax under Section 4999 (the “Reduced Amount”); provided that such amounts shall not be so reduced if, without such reduction, such Participant would be entitled to receive and retain, on a net after-tax basis (including, without limitation, after any excise taxes payable under Section 4999), an amount of the Parachute Amount which is greater than the amount, on a net after-tax basis, that such Participant would be entitled to retain upon receipt of the Reduced

Amount. For purposes of determining such net after-tax amount, all taxes as would be imposed on such Participant with respect thereto under Sections 1, 3101 and 4999 of the Code and under applicable state and local laws, shall be taken into account and determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws that applied to such Participant. All determinations with respect to the Parachute Amount shall be made by a nationally recognized certified public accounting firm or other firm that is retained and paid by the Company for such purpose prior to the Change of Control, which firm shall not, without such Participant’s consent, be changed following the Change of Control. Such determinations shall be binding upon the Company.

* 1. If the determination made pursuant to Section 6(a) results in a reduction of the payments (to the Reduced Amount) that would otherwise be paid to such Participant except for the application of Section 6(a), such payments due under this Agreement shall be reduced in the order set forth in Section 6(c); provided, however, that if any payment is not considered a parachute payment, then such payment shall not be subject to reduction and shall be ignored for purposes of such reduction provision. Such determination shall be made promptly following the Change of Control and as appropriate thereafter, in order to permit payment in accordance with the provisions of Section 5 above.
  2. If a reduced amount is to be paid pursuant to the application of Section 6(a), the reduction in the payments and benefits shall be applied in the following order: (i) payments that are payable in cash that are valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced (if necessary, to zero), with amounts that are payable last reduced first; (ii) payments due in respect of any equity valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced next (if necessary, to zero), with amounts that are payable or deliverable last reduced first;

1. payments that are payable in cash that are valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24 will be reduced next (if necessary, to zero), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24); (iv) payments due in respect of any equity valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24 will be reduced next (if necessary, to zero), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24); and (v) all other non-cash benefits not otherwise described in clauses (ii) or (iv) above will be next reduced pro-rata. Such reductions shall be applied in a manner that complies with Section 409A of the Code.
   1. **Plan Administration and Interpretation.** The Plan Administrator shall have the sole authority in the exercise of itsdiscretion to interpret, apply, and administer the terms of the Plan and to determine eligibility for benefits of the Plan and the amount of any benefits under the Plan, and its determination of any such matters shall be final and binding and be given the maximum deference allowed by law. Benefits under the Plan will be paid only if the Plan Administrator determines in its discretion that a Participant or beneficiary is entitled to them. The Plan Administrator may delegate in writing to any other person all or any portion of its authority or responsibility with respect to the Plan. Notwithstanding the foregoing, the provisions of this Section 7 shall be modified by the provisions of Section 23 during the Change of Control Protection Period.
   2. **Release.** The severance compensation and benefits to be provided under Section 5 shall be provided only if theParticipant timely executes and does not timely revoke the Release, which becomes effective and irrevocable no later than sixty
2. days following the date of the Participant’s Qualifying Termination. If the Release does not become effective and irrevocable by sixty (60) days following the date of the Participant’s Qualifying Termination, the Participant will not be entitled to any payment or benefit under the Plan. The Company will provide the Release to the Participant no later than three (3) days after

the date of the Qualifying Termination.

1. **Restrictive Covenants.** The severance compensation and benefits to be provided under Section 5 are subject to theParticipant’s compliance with the covenants as set forth below in subsections (a) through (e).
   1. **Non-Competition:** During the Restricted Period, the Participant agrees not to compete in anymanner, either directly or indirectly, whether for compensation or otherwise, with the Company, including by, entering into an ownership, consulting or employment arrangement with, or rendering services for or to, any individual or entity, accept or provide assistance in the accepting of (including, but not limited to, providing any service, information or assistance or other facilitation or other involvement) business or orders from customers or any potential customers of the Business or the Company or any of its Affiliates with whom the Participant has had contact, involvement, or responsibility on behalf of any third party or otherwise, or to assist any other person or entity to compete with the Business or the Company by either:
2. producing, developing or marketing, rendering services or handling products competitive with the Business or the Company in any geographic region or territory in which Participant worked or had responsibility during the eighteen (18) month period preceding departure from the Company, or assisting others to produce, develop or market, or render such services or products; or
3. accepting employment from or having any other relationship (including, without limitation, through owning, managing, operating, controlling or consulting) with any entity that produces, develops, or markets a product, process, or service that is competitive with those products, processes, or services of the Business or the Company or any of its Affiliates, whether existing or planned for the future, on which the Participant has worked, or concerning which Participant has in any manner acquired knowledge of or had access to Confidential Information, during the eighteen (18) months preceding termination of the Participant’s employment with the Company or an Affiliate, provided, however, that it shall not be a violation of this subsection (a) for a Participant to have beneficial ownership of less than 1% of the outstanding amount of any class of securities listed on a national securities exchange or quoted on an inter-dealer quotation system.
4. **Non-Solicitation:** During the Restricted Period, the Participant agrees that the Participant will not,either on the Participant’s own behalf or on behalf of any other person or entity, directly or indirectly, (a) solicit any person or entity that is a customer of the Business or the Company or any of its Affiliates, or has been a customer of the Company or any of its Affiliates during the prior eighteen (18) months, to purchase any products or services the Business or the Company or any of its Affiliates provided or provides to the customer, (b) interfere with any of the Business’s or the Company’s or any of its Affiliates’ business relationships, or (c) directly or indirectly solicit, divert, entice or take away any potential customer identified, selected or targeted by the Business or the Company or any of its Affiliates with whom the Participant had contact, involvement or responsibility during the Participant’s employment with the Company and/or its Affiliates, or attempt to do so for the sale of any product or service that competes with a product or service offered by the Business or the Company or any of its Affiliates.
5. **No-Hire:** During the Restricted Period, the Participant agrees that the Participant will not, either onthe Participant’s own behalf or on behalf of any other person or entity, directly or indirectly, hire, solicit or encourage to leave the employ of the Company or any of its Affiliates any Employee who is then an Employee of the Company or any of its Affiliates or was

such an Employee within twelve (12) months of the date of such hiring, soliciting, or encouragement to leave.

* 1. **Confidentiality:** The Participant will not at any time (whether during or after the Participant’semployment with the Company or its Affiliates) disclose, divulge, transfer or provide access to, or use for the benefit of, any third party outside of the Company (other than as necessary to perform the Participant’s employment duties) any Confidential Information without prior authorization of the Company. Upon termination of the Participant’s employment for any reason, the Participant shall return any and all Confidential Information and other property of the Company or its Affiliates then in the Participant’s possession.
  2. **Non-Disparagement:** The Participant agrees that the Participant will not make disparagingstatements, in any form, about the Company or its Affiliates, officers, directors, agents, Employees, products or services which the Participant knows, or has reason to believe, are false or misleading. The Company agrees that it shall instruct its directors and officers not to make false or misleading disparaging statements, in any form, about the Participant.

1. **No Mitigation.** In no event shall the Participant be obligated to seek other employment or take any other action byway of mitigation of the amounts payable to the Participant under any of the provisions of the Plan and such amounts shall not be reduced whether or not the Participant obtains other employment.
2. **Plan Effect.** Except to the extent expressly set forth herein, any benefit or compensation to which a Participant isentitled under any agreement between the Participant and the Company or any of its Affiliates or under any plan maintained by the Company or any of its Affiliates in which the Participant participates or participated shall not be modified or lessened in any way as a consequence of the Participant’s participation in this Plan, but shall remain payable or provided according to the terms of the applicable plan or agreement. Nothing in this Plan shall be construed as giving the Participant the right to remain in the employ of, or continue to provide services to, the Company or any Affiliate. Further, the Company or any Affiliate may at any time dismiss a Participant free from any liability or any claim under the Plan, unless otherwise expressly provided herein or in any other agreement binding on the parties. Designation of an Employee as a Participant in the Plan is not intended to confer any rights on the Participant except as set forth herein. The Plan shall constitute an “employee welfare benefit plan” within the meaning of the Employee Retirement Income Security Act of 1974, as amended.
3. **Claims Procedure.** Severance benefits will be provided to each Participant as provided in the Plan. If a Participantbelieves that he or she has not been provided with the severance benefits to which he or she is entitled under the Plan, then the Participant must file a request for review within ninety (90) days after the date he or she should have received such benefits under the Plan. The request for review must be made in writing and submitted to the Plan Administrator. The Plan Administrator will respond to the request for review within ninety (90) days after it is received setting forth, in writing, the reasons for the determination. If the Participant’s request for review is denied, the Participant may, within sixty (60) days after receiving written notice of such denial, file an appeal to the General Counsel of the Company, setting forth the reason why the Participant disagrees with the initial determination. The General Counsel shall respond to this request for reconsideration within sixty (60) days after it is received setting forth, in writing, the reasons for the determination. A Participant who fails to file an appeal within the sixty (60) day period set forth in this Section 12 shall be prohibited from doing so at a later date or from bringing an action under ERISA.

If the Participant subsequently wishes to submit an arbitration claim under the Plan pursuant to Section 15 hereof, the demand for arbitration must be made within ninety (90) days after the General Counsel’s final decision. No demand for arbitration shall be brought to recover benefits under the Plan unless

and until the claims procedure rights herein provided have been exhausted and the Plan benefits requested in such claims process have been finally denied in whole or in part.

1. **Acceptance Deemed.** By accepting any payment or benefit under the Plan, each Participant and each person claimingunder or through any such Participant shall be conclusively deemed to have indicated acceptance and ratification of, and consent to, all of the terms and conditions of the Plan and any action taken under the Plan by the Plan Administrator or the Company or its Affiliates, in any case in accordance with the terms and conditions of the Plan.

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1. **Successors.** The Plan shall bind any successor of the Company, its assets or its businesses (whether direct or indirect,by purchase, merger, consolidation or otherwise), in the same manner and to the same extent that the Company would be obligated under the Plan if no succession had taken place. In the case of a Change of Control or any transaction in which a successor would not by the foregoing provision or by operation of law be bound by this Plan, the Company shall require such successor expressly and unconditionally to assume and agree to perform the Company’s obligations under the Plan in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

The Plan shall inure to the benefit of and be enforceable by the Participant’s personal or legal representatives, executors, administrators, successors, heirs, distributes, and/or legatees. The rights under the Plan are personal in nature and neither the Company nor any Participant shall, without the consent of the other, assign, transfer or delegate any rights or obligations hereunder except as expressly provided in this Section. Without limiting the generality of the foregoing, the Participant’s right to receive any benefits hereunder shall not be assignable, transferable or delegable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by his or her will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section, the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.

1. **Resolutions of Disputes.** Other than disputes arising under Section 9 hereof (which a party may enforce through legalprocess), any other controversies arising out of or relating to the validity, interpretation, enforceability, or performance of the Plan, including any claim by a Participant for benefits hereunder, will be solely and finally settled by means of binding arbitration in Cincinnati, Ohio. The arbitration shall be conducted in accordance with the applicable employment dispute resolution rules of the American Arbitration Association. The arbitration will be final, conclusive and binding upon the parties. All arbitrator’s fees and related expenses shall be divided equally between the parties.

In the case of a dispute subject to arbitration with respect to a termination occurring outside of the Change of Control Protection Period, the arbitrator may award reasonable attorneys’ fees and expenses to the prevailing party, including attorneys’ fees the prevailing party incurs in connection with the appeal or the enforcement of an arbitration award. Any award of attorneys’ fees and expenses to the prevailing party shall be paid within sixty (60) days following the award of such fees and costs by the arbitrator. In the case of a dispute with respect to a termination occurring during the Change of Control Protection Period, if a Participant prevails with respect any material issue, the Company shall reimburse the Participant for the Participant’s reasonable attorneys’ fees and expenses incurred in connection with such dispute.

1. **Withholding.** The Company shall have the right to deduct and withhold from any amounts payable under the Plansuch federal, state, local or other taxes as are required to be withheld pursuant to any applicable law or regulation.
2. **Notice.** For the purpose of the Plan, notices and all other communications provided for in this Plan shall be in writingand shall be deemed to have been duly given when actually delivered or mailed

by United States registered mail, return receipt requested, postage prepaid, addressed to the General Counsel (or, in the case of an initial request for review pursuant to Section 12 hereof, to the Plan Administrator) at the Company’s corporate headquarters address, and to the Participant at the last address of the Participant on the Company’s books and records.

1. **Governing Law.** Except to the extent preempted by federal law, the provisions of the Plan shall be governed andconstrued in accordance with the laws of the State of Ohio without regard to the conflict of law provisions thereof.
2. **Validity and Severability.** The invalidity or unenforceability of any provision of the Plan shall not affect the validityor enforceability of any other provision of the Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction, shall not invalidate or render unenforceable such provision in any other jurisdiction.
3. **Headings; Interpretation.** Headings in the Plan are inserted for convenience of reference only and are not to beconsidered in the construction of the provisions hereof. Unless the context clearly requires otherwise, the masculine pronoun wherever used herein shall be construed to include the feminine pronoun.
4. **Section 409A.** It is intended that the payments and benefits provided under the Plan shall be exempt from theapplication of the requirements of Section 409A of the Code. The Plan shall be construed, administered and governed in a manner that effects such intent, and the Plan Administrator shall not take any action that would be inconsistent with such intent. Specifically, any taxable benefits or payments provided under this Plan are intended to be separate payments that qualify for the “short-term deferral” exception to Section 409A of the Code to the maximum extent possible, and to the extent they do not so qualify, are intended to qualify for the separation pay exceptions to Section 409A of the Code, to the maximum extent possible. To the extent that none of these exceptions (or any other available exception) applies, then notwithstanding anything contained herein to the contrary, and to the extent required to comply with Section 409A of the Code, if a Participant is a “specified employee,” as determined under the Company’s policy for identifying specified employees on the date of his or her Qualifying Termination, then all amounts due under the Plan that constitute a “deferral of compensation” within the meaning of Section 409A of the Code, that are provided as a result of a separation from service within the meaning of Section 409A of the Code, and that would otherwise be paid or provided during the first six months following the date of termination, shall be accumulated through and paid or provided on the first business day that is more than six months after the date of the date of termination (or, if the Participant dies during such six-month period, within 90 days after the Participant’s death).

With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A of the Code: (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any calendar year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; and (iii) such payments shall be made on or before the last day of the Participant’s calendar year following the calendar year in which the expense occurred, or such earlier date as required hereunder.

The payments and benefits provided under this Plan may not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon Participants. The tax treatment of the benefits provided under this Plan is not warranted or guaranteed to the Participants. Neither the Company, its Affiliates nor their respective directors, officers, employees or advisers shall be held liable for any taxes, interest, penalties or other monetary

amounts owed by a Participant (or any other individual claiming a benefit through the Participant) as a result of this Plan. In the event of a Change of Control which does not constitute a transaction described in Treasury Regulation Section 1.409A-3(i)(5)(v),

1. or (vii), the payment schedule applicable to a Qualifying Termination outside of a Change in Control Protection Period shall apply to the extent necessary to comply with the requirements of Code Section 409A and the regulations thereunder.
   1. **Unfunded Plan Status.** The Plan shall be unfunded and is intended to provide benefits to a select group ofmanagement and highly compensated employees. All payments pursuant to the Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Plan.
   2. **Special Provisions Following Change of Control.** Notwithstanding anything in the Plan to the contrary, in the eventof a dispute arising with respect to entitlement to payments and benefits under the Plan in connection with a termination occurring during the Change of Control Protection Period, determinations of the Board or the Plan Administrator (including, without limitation, determinations with respect to the existence of Cause or Good Reason or compliance with the requirements of Section 9) shall not be entitled to deference and shall be reviewed de novo for purposes of Section 12 hereof and any subsequent arbitration or court proceeding.
   3. **Plan Termination and Amendment.** The Board reserves the right to amend or terminate the Plan at any time, in itssole discretion, without prior notice to Participants except to the extent required by this Section 24. Any such amendment or termination shall be made by the Board or by action of a person or persons duly authorized by the Board. All Participants shall receive any benefits to which they have become entitled under the Plan on or before the date the Plan terminates. Notwithstanding the foregoing, (i) an amendment or termination that eliminates any Participant or reduces benefits payable under the Plan or changes a Participant’s participation level will not be effective until one (1) year after written notice is provided to the Participants affected by such amendment or termination, (ii) an amendment, termination or change in participation level that eliminates any Participant or reduces benefits payable under the Plan will not be effective if a Change of Control occurs during the one (1) year notice period, and (iii) an amendment or termination or change in participation level that eliminates any Participant or reduces benefits payable under the Plan will not be effective if it is adopted during a Change of Control Protection Period.

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**EXHIBIT 10.2**

**AMENDMENT TO**

**WORLDPAY, INC.**

**2012 EQUITY INCENTIVE PLAN**

**PERFORMANCE SHARE UNIT ACQUISITION AWARD AGREEMENT**

**THIS AMENDMENT TO PERFORMANCE SHARE UNIT ACQUISITION AWARD AGREEMENT** is entered into effective as ofMarch \_\_, 2019 (the “**Effective Date**”) by and between Worldpay, Inc. (the “**Company**”) and [NAME] (the “**Participant**”).

**WHEREAS**, the Company and the Participant entered into that certain Performance Share Unit Acquisition Award Agreement in respect of theperformance period commencing on January 1, 2018 and ending on December 31, 2020 (as previously amended, if applicable, the “**Original** **Agreement**”); and

**WHEREAS**, the Company and the Participant desire to enter into this Amendment to the Original Agreement (this “**Amendment**”), effectiveas of the Effective Date.

**NOW, THEREFORE BE IT, RESOLVED** that the Original Agreement is hereby amended as follows, effective as of the Effective Date:

1. Section 7.1.1 is hereby amended and restated in its entirety to read as follows:

“upon a Change of Control that occurs prior to March 1, 2021, the PSUs shall be immediately converted to time-based restricted stock units in an amount that is the greater of (i) Target Award value or (ii) projected actual Award value based on the level of projected achievement of the Performance Goals and Stock Price Hurdle in accordance with Exhibit 1 as of the date of the Change of Control, in each case without pro-ration for the percentage of the Performance Period or Vesting Period that has elapsed. These restricted stock units will cliff-vest in the same proportions and on the same Vesting Dates as is set out in Section 4 above, subject to the Participant’s Continuous Service Status through to the applicable Vesting Date; *provided, however,* that if, prior to the last day of the applicable Vesting Period, the Participant (a) dies or becomes Disabled; or (b) is terminated without Cause (as defined above) or for Good Reason (as defined below), the restricted stock units shall vest in full as of the date of such termination. For the avoidance of doubt, in connection with such vesting, each restricted stock unit will be eligible to receive the same per share transaction consideration being offered to common stockholders generally pursuant to the Change of Control; or, alternatively, the Committee may cancel the Participant's PSUs and pay to the Participant, in cash or stock, or any combination thereof, the value of such PSUs based upon the price per Share received or to be received by other stockholders of the Company in the Change of Control.”

1. Any capitalized term that is used but not defined in this Amendment shall have the meaning set forth in the Original Agreement.
2. Except as modified by this Amendment, the Original Agreement shall remain in full force and effect in accordance with the terms thereof.

[Signature Page Follows]

**IN WITNESS WHEREOF**, the Company and the Participant have signed this Amendment effective as of the Effective Date.

**WORLDPAY, INC.**

Name:

Title:

**PARTICIPANT**

Name:

**Exhibit 31.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Charles D. Drucker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Worldpay, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   1. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   2. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   3. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   4. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   1. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   2. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 3, 2019 /s/ CHARLES D. DRUCKER



Charles D. Drucker

Executive Chairman and Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephanie L. Ferris, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Worldpay, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   1. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   2. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   3. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   4. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   1. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   2. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 3, 2019 /s/ STEPHANIE L. FERRIS



Stephanie L. Ferris

Chief Financial Officer

**Exhibit 32**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Worldpay, Inc. (the “Company”) on Form 10-Q for the period ending March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company does hereby certify, pursuant to 18 U.S.C. § 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

The foregoing certification (i) is given to such officers' knowledge, based upon such officers' investigation as such officers reasonably deem appropriate; and

1. is being furnished solely pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002) and is not being filed as part of the Report or as a separate disclosure document.

May 3, 2019 /s/ CHARLES D. DRUCKER



Charles D. Drucker

Executive Chairman and Chief Executive Officer

May 3, 2019 /s/ STEPHANIE L. FERRIS



Stephanie L. Ferris

Chief Financial Officer

[A signed original of this written statement required by Section 906 has been provided to Worldpay, Inc. and will be retained by Worldpay, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]

